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The COMMERCIAL and FINANCIAL CHRONICLE

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Volume 162 Number 4418 New York, N. Y., Thursday, September 6, 1945 Price 60 Cents a Copy

F. W. Gehle to Manage Victory Loan Drive In New York State

Secretary of the Treasury Fred M. Vinson has appointed Frederick W. Gehle to head the Victory Loan drive in New York State. Mr. Gehle, Vice-President of the

Frederick W. Gehle

Chase National Bank, was chairman of the New York War Finance Committee during the Sixth and Seventh War Loans, resigning in July, at the close of the Seventh drive. Under his direction New York State in the Sixth and Seventh loans yielded $13,900,000,000 to the Treasury, an amount five times greater than any other state, and during the Seventh War Loan New York was the only eastern industrial state to achieve its E-Bond quota.

Index of Regular Features on page 1064.

Raising Our Sights

By HON. FRED M. VINSON*
Secretary of the Treasury

Asserting That Works With Government Help Must Solve Problems of Reconversion and Peace, Mr. Vinson Avers That the Primary Objective Is to Raise Living Standards Under a Sound and Expansive Economy, With High Income, Full Employment and Abundance of Goods and Services. Sees No Substantial Tax Reductions Ahead, but Looks for Simplification and Elimination of Inequities. Holds Interest Rates Must Remain Low and That U. S. Must Cooperate in World Economic Rehabilitation.

Tonight not only are we celebrating Peoria's 100th Anniversary as a city, but also we are honoring the men and women of this city who by their work provide materials, products and services for all of us. Three months after Labor Day, 1941, this country was attacked. Labor Day in 1942, 1943 and 1944 was not a holiday. Labor was making its contribution to the war effort as on other work days. And what a tremendous contribution that was.

Secretary Vinson

The workers of this country must now make goods and services for a high American standard of living. They must do more than that, however. They must help us solve the problems of reconversion and peace. They cannot do this alone, as the Government cannot do the job alone; but

*An address by Secretary Vinson at Peoria, Ill., Sept. 3, 1945.

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More Special Articles In NSTA Supplement

Along with this issue of the "Chronicle" we have prepared a special supplement covering the 12th Annual Convention of the National Security Traders Association held at Mackinac Island, Mich., during the period Aug. 28-30, inclusive. This supplement includes a number of special articles and papers which will undoubtedly be of great value and interest to our readers. Accordingly, we deem it appropriate to enumerate these special articles herewith, as many of them would ordinarily be given in this particular section of the "Chronicle." In the tabulation below we list the titles and authors of these discussions, as well as the page number on which they appear in the NSTA Supplement:

Railroads in Peacetime
By PATRICK B. McGINNIS
Partner, Pflugfelder, Bampton & Rust, New York 1070

An Attack on Symptoms
By EMIL SCHRAM
President of New York Stock Exchange 1071

Expanding Post-War Investments
By A. M. SAKOLSKI 1073

(Continued on page 1044)

Full Employment—Wages and Democracy

By PHILIP CORTNEY
Vice-Chairman of the Board and Treasurer, Coty Inc.

Writer Asserts That We Are Confronted With the Dangers Inherent in the Full Employment Dogma Since World War I. At the Root of Unemployment in a Free Society He Finds the Wage Problem and Credit Mischief. He Is Convinced That We Cannot Avoid Going Into Experimentations and Therefore Advocates the Provision of Safeguards for the Private Enterprise System, Democratic Processes and Our Liberties. He Makes Some Tentative Suggestions of a Method of Approach to the Provision of Safeguards.

This article means to be an exhortation to foresight, wisdom and intelligent thinking. It means to be an appeal to both labor and free enterprise for the preservation of democracy and our cherished liberties. I wish everyone would understand that the full employment issue could be called more aptly "democracy or some form of totalitarianism."

Philip Cortney

I had better state at the outset what I wish to prove. It is my contention that, full employment bill or no full employment bill, we are already confronted with the dangers which the defenders of the free enterprise system ascribe to the adoption of the bill. Therefore, in this article, I am advocating safeguards against the dangers al-

(Continued on page 1058)

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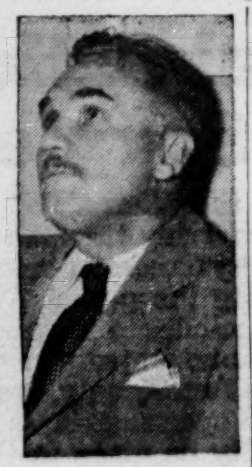
From Washington Ahead of the News

By CARLISLE BARGERON

Correspondent Holds That Full Employment Bill Will Pass Even Though Congress Is Dominated by Conservatives, but Points Out That While New Dealers Are Trying to Create Impression Measure "Doesn't Mean Anything," It Is Full of Mischief. Points Out Past Failures and Deceptions of Public Officials in Forecasting Economic Conditions. Contends Bill Sets Up "a Vehicle for Continuous Agitation" and That Instead of Setting Up a Balanced Economy "It Will Keep Us in a Stew." Says Local Communities Are Willing and Financially Able to Undertake Many Needed Public Improvements but Find Themselves Handicapped by Federal Government. Predicts States Will Control Unemployment Benefits, Regardless of Cost to Be Borne by the Government.

The indications are that Congress will pass some sort of a so-called full employment bill, as well as to increase, probably through Federal grants to the States, the unemployment payments. The heat is on. There seems to be too much agitation for even a Congress dominated by Conservatives to resist.



Carlisle Bargeron

Also, on behalf of the full employment bill, a rather subtle campaign is being conducted that it really doesn't mean anything. It will be up to Congress to enact any implementing legislation, it is argued, and such legislation will be designed to help business, because the bill proclaims loudly and repeatedly that everything must be done under the private enterprise system. If the bill doesn't really mean anything it shouldn't be passed. However, it is a fact that in itself it is a pretty hollow thing. At the beginning of the year the Administration's statisticians attempt to predict how much money will be spent by industry and Government the ensuing 12 months; how much employment this will give; then whether that it is too much employment or too little. It will recommend legislation accordingly. This legislation may be to forestall a boom that is foreseen. It may be to forestall unemployment. But Congress, of course, doesn't have to follow these recommendations. This is what is meant when it is said that the bill in itself doesn't mean anything.

There can't be any escaping the

(Continued on page 1045)

No Conflict With Free Enterprise In Full Employment Bill

By HON. HENRY A. WALLACE*
Secretary of Commerce

Secretary Wallace Gives Wholehearted Support to "Full Employment" Bill Stating That It Recognizes the Right of the Worker, the Businessman and the Farmer to Prosper "in a Climate of Full Opportunity." Denies That the Bill Is "Planned Economy" and in Conflict With Private Enterprise, But Holds That Business Management Should Not Be Saddled With Maintaining Full Employment. Says Government Must Maintain Level of Sales, But Denies Bill Is a Spending Measure. Concludes Objective Will Not Be Attained Without Cooperation of Business, Agriculture, Labor and Government.

Mr. Chairman and members of the Banking and Currency Committee:

I appreciate the invitation of this Committee to appear this morning and testify on the Full Employment bill.

Henry A. Wallace

I am wholeheartedly in favor of the passage of this bill. I consider it a most essential step in making a living reality of the Economic Bill of Rights so clearly set forth by Franklin Delano Roosevelt. The Economic Bill of Rights embodies the fundamental aspirations of all our citizens, which our great production potential will allow us to realize if only we have the vision, the courage, and the will to take the necessary action.

The Economic Bill of Rights in essence recognizes the right of the worker, the business man and the farmer to prosper in a climate of full opportunity; the right to a decent living; the right to a decent home; the right to adequate medical care; the right to social insurance, and the right to a good education. These basic rights have taken their place in the hearts of the American people alongside of the original Bill of Rights.

The Full Employment bill would give legislative recognition to the most essential economic right—"the right to a useful and remunerative job in the industries or shops or farms or mines of the nation." Under this measure the Federal Government would, for the first time, recognize its over-all responsibility for

(Continued on page 1055)

*A statement of Secretary Wallace before the Senate Committee on Banking and Currency, Aug. 28, 1945.

Edwin Herzog Partner In Lazard Freres Co.

Edwin H. Herzog, until recently a colonel in the Air Corps on the Air Staff in Washington, has been admitted as a partner in Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange.

Mr. Herzog has been in the investment banking business since his graduation from Princeton in 1921. Before his entrance into the Army Air Forces in June, 1942, he had been a partner of Shields & Co.

His admission to partnership in Lazard Freres & Co. was previously reported in the "Chronicle" of Aug. 23.

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Labor's Post-War Program

By WILLIAM GREEN*
President, American Federation of Labor

Denouncing Prophets of Gloom and Asserting That the A. F. of L. Has Faith in America and the American People, Mr. Green Lays Down as a Program for Prosperity (1) the Speeding of Reconversion by Private Industry; (2) the Immediate Increase in Wage Rates to Expand Purchasing Power; (3) a National Accord Between Labor and Industry; (4) a Shorter Work Week "When Conditions Settle Down," and (5) Legislation to Expand Social Security Benefits. Urges Passage of Full Employment Measure, Together With the Kilgore Bill Raising Minimum Wages, and Lauds Labor's Contribution to War Effort.

Every generation produces a man with wisdom far beyond his times, whose imagination lights a beacon along the road which humanity must travel in the future. Such a man was Peter J. McGuire, the father of Labor Day, whose memory we honor today. Sixty-three years ago he conceived the idea of a truly American national holiday to pay homage to the toilers of the earth who from raw nature "have delved and carved all the grandeur we behold." This struggling carpenter glimpsed the nobility of the common man and his work and sought to give it power and expression by joining with Samuel Gompers and other pioneers to form the American Federation of Labor. He became an official of the United Brotherhood of Carpenters and Joiners of America, one of the oldest trade unions in the nation. Through the Carpenters' union and the American Federation of Labor, of which it is a part, he won his campaign for Labor Day. There were other holidays, he said, representative of the religious, civic and military spirit, but none representative of the

William Green

*An address by Mr. Green at Camden, N. J. Sept. 3, 1945.

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"On the Beam"!

Securities Dealers Committee Refutes Contention That Proposed Compulsory Regulation and Regimentation of Salesmen and Traders Is Akin to Stock Exchange Practice. SEC Orders By-Laws Held in Abeyance Until Sept. 15.

On Sept. 1 last, the Securities Dealers Committee, 165 Broadway, New York 6, N. Y., sent a letter to numerous dealers calling their attention to various new items on the SEC hearing held on Aug. 29 on the new by-laws of the NASD which call for the compulsory registration of salesmen, traders and principals in firms and paves the way for limiting mark-ups and spreads.

"Stephen C. Thayer of Baker, Hostetler & Patterson, attorneys for the NASD, contended that the registration proposed was similar to the New York Stock Exchange's practice in this respect. Our committee contends this is not in accord with the facts since the Exchange puts a floor on commission rates and would discipline a member or a customer's broker that charged less. The NASD on the other hand under the new by-law set-up might discipline a dealer, salesman or a trader that did not confine his mark-ups or spreads to the whims of NASD officials.

"Our attorneys argue, too, aside from the fact that the new by-laws were improperly adopted, they would curtail the liberties of those affected and provide for unnecessary and further regimentation of the investment industry."

RIGHT "ON THE BEAM" WOULD BE THE PRESENT DAY VERNACULAR FOR DESCRIBING THESE PITHY PARAGRAPHS.

The SEC gave the Committee's attorneys, Edward A. Kole and A. M. Metz, of this city, until Saturday, Sept. 8 to file briefs in the matter. Since then the Commission has ordered that the new by-laws be held in abeyance until Sept. 15, 1945.

Twenty-four investment houses have authorized the Committee to represent them, the "Chronicle" is informed, and it is to be hoped that still more will permit the use of their names in this respect and that the various regional associations throughout the country will meet immediately to follow suit.

Financial aid should be freely proffered to the Committee by all in the securities business. This is the least they can do as a concrete expression of their appreciation to the men (Baron G. Helbig of Baron G. Helbig & Co.; B. S. Lichtenstein of B. S. Lichtenstein & Co.; William S. Baren of William S. Baren Co.) who have had the courage to spearhead this move and have so freely given of their time so that the investment business will not be further shackled.

The truth of the matter is that they are holding the torch for trade and industry generally, because if it becomes possible for a bureaucracy in the securities business to arbitrarily tell salesmen and traders in stocks and bonds

(Continued on page 1061)

Wages to Go Up But Not Prices

Stabilization Director Davis Says New Wage-Price Regulations Will Permit Wage Increases, but Insists Present Price Levels Be Maintained. Lays Down Plan for Voluntary Adjustment of Labor Disputes.

At a news conference on September 4, William H, Davis, Director of Economic Stabilization, announced that substantial wage increases will be permitted to aid better living standards and that these new regulations would not result in higher prices, but are to be absorbed by producers and distributors. Chairman Davis stated that the goal was to raise living standards 50% and at the same time keep consumers costs at present levels. He stressed the importance of preventing both inflation and deflation, and insisted that present price levels should be maintained so that the heavy national debt could be paid off at the same purchasing power levels under which it was incurred.

William H. Davis

Commenting on the means of carrying out this policy, the Stabilization Director stated that it would be the function of the OPA to determine whether a wage increase can be absorbed by producers and distributors or whether it is likely to result in an increased price to the public, and he maintained that the OPA would be required to cancel voluntary wage increases under the proposed new regulations, if any employer should later apply for permission to raise a ceiling price because of higher operating costs.

(Continued on page 1054

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Sgt. Siegel on Furlough

Sergeant Sidney A. Siegel, partner of Siegel & Co., 39 Broadway, New York City, has just returned home for a thirty-day furlough. Sergeant Siegel has now been overseas for over three years and was wounded on D-Day plus one, June 7, 1944 on the Normandy beach-head. Now that peace has been declared, Sergeant Siegel expects an early discharge and is looking forward to taking an active part again in the affairs of Wall Street.

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In line with a development program inaugurated several years ago and which they are now accelerating with the coming of peacetime, Adolph Lewisohn & Sons, 61 Broadway, New York City, members of the New York Stock Exchange, announce that Gilbert H. Wehmann has joined them as manager of their trading department.

Gilbert H. Wehmann

Mr. Wehmann had been associated with the firm of Tucker, Anthony & Company for a number of years and prior to that had been with Brown Brothers.

T. S. Lamont Re-Elected V.-P. of J. P. Morgan & Co.

T. S. Lamont, who resigned as Vice-President of J. P. Morgan & Co. Incorporated in July, 1942, when he entered the United States Army, has been re-elected Vice-President as of Sept. 1 of this year.

It is certainly to be hoped that we don't get back to the days when the CIO would notify Harry Hopkins of an impending strike and he would arrange to put the strikers immediately on relief.

AMERICAN MADE MARKETS IN CANADIAN SECURITIES

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NEWARK, N. J.—William Francis Taylor, Jr., is engaging in a securities business from offices at 227 South Eleventh Street.

From Washington Ahead of the News

(Continued from page 1042)

fact, though, that it is, to say the least, full of mischief. It doesn't take much imagination to see what will take place. The statisticians will never report full employment. They will comb the highways and the byways to get quarters of men, halves of men, all sorts of percentages. They have never hesitated to split men into many different pieces to satisfy their statistics. The fact that no two agencies ever agree on their statistics is of no moment. The AFL insists until this day that there were 10,000,000 unemployed when the war boom came on. The Labor Department used this same figure as long as it served its purpose, but during the '40 and '44 Presidential campaigns the Administration contended that unemployment had been reduced to slightly more than 7,000,000. The plain fact is that right up until Pearl Harbor both Madame Perkins and the WPA were telling tales of dire distress among the population in an effort to keep WPA going.

It is difficult to understand why any responsible person, after seeing the way in which General Hershey and War Manpower Commissioner McNutt balled up the manpower situation during the war, would want any more bureaucratic handling of anything. Hershey spent more time out of Washington making speeches, seemingly, than he spent at his desk, and up until a few months ago every speech outlined a different situation. There have been instances galore of men being drafted, inducted and discharged as many as three times under the changing draft regulations. Under McNutt we had the spectacle of men loafing in one plant, in some instances being unemployed, with a nearby plant begging for men.

What the so-called full employment bill really sets up is a vehicle for continuous agitation at Washington. Equally dangerous with the employment budget would be the disposition of the bureaucrats to keep the economy "balanced." Our experience with them by now should certainly prove that they aren't capable of keeping anything balanced. Their only accomplishment is to keep us in a stew. From priming the pump we switch to controls against inflation, and vice versa. More than 135 million of us run uphill one day and downhill the next, to the whip of men who in many instances can't raise their own families.

There is scarcely a community in the country today that doesn't have a backlog of needed civic improvements and the money with which to carry them out. They are prepared to do this work, not necessarily from any humanitarian motives, but because it needs to be done, if the Federal Government will just let them alone. We have always had public work programs, and always will have. But the movement, the contemplation of the full employment bill, is to organize everything and direct it from Washington on the basis of statistics. It is about the only remaining hangover from the New Deal, this push behind the bill. The New Dealers in retreat are seeking to make a stand on it. They have the Administration's support. Nobody can be against "full employment." So, as we said, the disposition in Congress seems to be to pass it, after weakening it as much as possible.

On the bill increasing unemployment benefits, the advocates of the States making the payments, regardless of whether the Federal Government pays the bill, seem to be in the ascendancy, and it is not unlikely that the pending bill will be changed to provide for local administration. This will break the heart of the CIO, because their purpose is to use increased unemployment benefits to keep workers from taking jobs at lesser wages than they have been getting in war plants. Local administrators of the benefits are not likely to feel so kindly towards unemployed who refuse jobs. Community feeling would not likely stand for it.

UTILITY PREFERREDS

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Public Utility Securities

Public Power in the Northwest

Now that the war is over and the big aluminum projects in the Northwest are being cut back (with apparently small hope that the industry can survive by using local clay deposits), the question of how to dispose of the huge amounts of electric power produced by Bonneville and Grand Coulee is coming to the fore. Some power is already being sold at cheap rates to local utilities such as Portland General Electric and Puget Sound Power & Light but much more would have to be sold to provide an outlet for the large amount used in munitions production during the war.

Portland General Electric is already selling some electricity for house heating, and with electricity available around the level of one cent per KWH more could probably be sold. Whether other companies would follow this lead remains to be seen. Several years ago Bonneville was reported experimenting with long-distance transmission of current (now limited commercially to a few hundred miles) but with the war effort intervening, results have apparently not been very successful.

Advocates of public power in Washington, as well as locally, have been working for years to take over private utilities in the Northwest in order to obtain a distributing system for public power. It will be recalled that TVA fought with Mr. Willkie, then President of Commonwealth & Southern, over the acquisition of the company's Tennessee properties and was finally forced to pay a reasonable price after a strenuous campaign of rate-cutting, competitive building of transmission lines, etc. The fight in the Northwest has been conducted more quietly, but just as persistently.

But Congress thus far has been reluctant to finance such purchases on a wholesale basis, rejecting the Bone Bill for the creation of a $150,000,000 Columbia River Authority, and now MVA (Missouri Valley Authority) is getting all the publicity. Local public utility districts have been fighting for years to acquire pieces of Puget Sound but have been unable to pay the substantial prices required by jury awards in condemnation actions. The President of Puget Sound, Frank McLaughlin, has carried on a running fight with the PUDs and as he expressed it "PUDs are duds."

Early last year, however, a working combine was formed between the PUDs, the city of Seattle (which has a municipal plant competing with Puget Sound), and Bonneville. Paul Raver, Administrator of Bonneville and acting for all three groups, made a tentative offer to Puget Sound of $90,000,000. This would have paid off the bonds and preferred stock, leaving only about $8 per share for the common, plus the transit property and miscellaneous assets. The company termed this "grossly inadequate" and the deal fell through.

Recently, however, Guy C. Myers (who had successfully sold the Nebraska Power property) offered Puget Sound $18 a share for the entire property, including the bus lines. Various other concessions were made to "sweeten the deal," such as retaining officers for two years and retiring the preferred stock at 110, and apparently the directors are considering the offer.

A fly in the ointment, however, was the blast issued several weeks earlier by Representative Boren in Congress. He charged Mr. Myers with devising a scandalous scheme for the Wall Street bankers to buy up all the utilities and finance their sale to tax-free public power agencies, at a handsome profit to themselves. The sale figure for Puget Sound named by Representative Boren ($130,000,000) was equivalent to about $25 per share, while the actual offer made later by Myers was only $18 (the stock is currently selling at 15⅞).

Mr. Boren also charged that Myers, who had handled the Nebraska sale for American Power & Light, was planning to dispose of that system's three Northwestern properties—Washington Water Power, Pacific Power & Light and Northwestern Electric—by similar sales to public agencies. Apparently these deals (if they were really in progress) have been slowed down by the unfortunate publicity, and the right of way given to the Puget Sound. The PUDs have continued actively at work, however, in their efforts to acquire local sections of some of these companies despite their failure to enact a law (through a public referendum last November) to permit these agencies to combine for the purpose of financing their purchases.

Wall Street and the utilities have been opposed in principle to acquisition of private utilities by government agencies but because of the enormous tax advantages and easy financing methods enjoyed by these agencies it is a constant temptation to develop sales programs such as those on which Mr. Myers has been at work. However, the demand for tax-free bonds has abated (the municipal market received a sharp jolt on V-J Day) and if Mr. Boren acquires a following in Congress (with resulting pressure on the regulatory commissions which, however, have only limited powers to deal with these situations) the new method of diverting private properties to public power agencies may be definitely handicapped. Most New Deal agencies have apparently favored such sales in the past, and are probably now puzzled over the Boren attack. The solution would be for Congress to place all public power agencies on a similar tax-paying basis as the private utilities.

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Knight to Head Bank Activities in V-Loan

W. Randolph Burgess, President of the American Bankers Association, announced the appointment of Francis M. Knight, Vice-President of the Continental Illinois National Bank and Trust Company, Chicago, Illinois, as Chairman of the A. B. A. Committee on War Bond Drives to head up activities of banks of the nation during the Victory War Loan Drive.

Francis M. Knight

Mr. Knight succeeds Tom K. Smith, President of The Boatmen's National Bank, St. Louis, Missouri, who was head of the committee during the seven previous War Loans. In announcing the appointment of his successor, Mr. Burgess said, "Mr. Smith made an outstanding success in directing bank activities in connection with the War Loans. His personal sacrifices in behalf of banking are greatly appreciated."

The new Chairman of the Association Committee, which is completing plans for opening of the Victory Loan on Oct. 29, 1945, has had wide experience during the war in the field of government finance. He is a member of the Research Council of the A. B. A., and in 1943 was on the faculty of The Graduate School of Banking of the Association, his subject being government securities. During the Sixth War Loan he was Chairman of the Drive Committee for Banks of Chicago and Cook County, Illinois.

Mr. Knight is a veteran of World War I, having enlisted in the Navy in 1917. He was commissioned ensign and later advanced to lieutenant junior grade and served on the destroyer USS Stringham in French waters.

He entered banking in 1915, specializing in securities, and became Vice-President of the Continental Illinois National Bank and Trust Company in 1933.

Will Seek Early Action on Pending Bill, Boren Advises NSTA

Congressman Lyle H. Boren, Democrat of Oklahoma, has advised the National Security Traders Association of his intention to seek Congressional action on the Boren bill the latter part of this month. Mr. Boren's measure is intended to establish beyond question the immunity of transactions in State and municipal securities from regulation and control of the Securities and Exchange Commission.

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Tomorrow's Markets Walter Whyte Says——

Sharp advance cancels time element. Expect minor setbacks before resumption of rally. Obstacles now loom ahead.

By WALTER WHYTE

In the previous column I said the market acted higher and that within one to three months the industrial average would get to about 180. At the time that was written it had just crossed 171 and what public sentiment there was appeared to be bullish.

* * *

I haven't changed my mind about the 180 figure but I think I'm away off base on the timing. For, if the market took only five days to move up from about 162 to 172, the additional eight points would have to take at least 30 days to come within the time I set for it. If that is to occur, it is equally apparent that the subsequent statement which read: "Based on present ac-

(Continued on page 1056)

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Robinson Admitted as Schwabacher Partner

Edward H. Robinson, for the past nine years manager of the New York office of Schwabacher & Co., 14 Wall Street, members of the New York Stock Exchange, has become a general partner of the firm.

Edward H. Robinson

In addition to the firm's head office in San Francisco, offices also are maintained in Fresno, Monterey, Oakland, Sacramento and Santa Barbara.

Prior to his association with Schwabacher & Co., Mr. Robinson was connected with the National City Company and was later assistant vice-president of Chase Harris Forbes Corporation.

Mr. Robinson's admission to the firm was previously reported in the "Chronicle" of Aug. 16.

Dimond With Estabrook

Estabrook & Co., Members New York Stock Exchange, announce that Renwick B. Dimond is now associated with them in their New York office, 40 Wall Street. Mr. Dimond was formerly with Wertheim & Co.

We are pleased to announce the admission of

MR. EDWARD H. ROBINSON

and

MR. HAROLD P. SCHLEMMER

as general partners in our firm

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Allyn Laird Dies

Allyn V. Laird, 47, of 1036 West Sixth Street, Plainfield, N. J., died early Tuesday at Muhlenberg Hospital, Plainfield. He had undergone an intestinal operation about ten days ago.

Well known in Plainfield, and in New York financial circles, Mr. Laird had been an account executive with the Wall Street Office of J. Walter Thompson Company, advertising agency, since 1934. Prior to that time he had been with The National City Company, securities affiliate of The National City Bank of New York, starting in 1916. Later, he was in charge of the publicity and advertising department of The City Company of New York from 1933 until joining J. Walter Thompson Company.

He was an active member of the Grant Avenue Presbyterian Church, Plainfield, and was an elder in the church. For several years, he was active in Plainfield Community Chest activities.

Surviving are his wife, Mrs. Elsie Cullinan Laird; a son, Signalman 2/c Gordon W. Laird, U.S.N.R. now in the Pacific; two sisters, Miss Alma Laird of North Plainfield, and Mrs. C. F. Sims of Westfield, N. J.; and his father, Nathaniel Laird of North Plainfield.

Funeral services will be held Friday, Sept. 7, at 3 p.m. at the A. M. Runyon and Son "Home for Plainfield, N. J. The Rev. Roland Services" at 900 Park Avenue, Bahnsen, of the Grant Avenue Presbyterian Church, Plainfield, will officiate. Interment is to be in Hillside Cemetery, Plainfield.

Honor Blair Williams, 50 Years NYSE Member

About twenty-five friends of Blair S. Williams gave a luncheon yesterday at the Stock Exchange Luncheon Club in commemoration of his fiftieth anniversary as a member of the New York Stock Exchange.

Oliver C. Billings, another member of the Exchange, long associated with Mr. Williams in Stock Exchange affairs, acted as toastmaster.

Mr. Williams served as a member of the governing body of the Exchange for twenty-nine years and as a member of many standing and special committees. He is a partner of the firm of Blair S. Williams & Co.

A memento of the occasion was presented to Mr. Williams in the form of an engrossed scroll.

Correction

In the Financial Chronicle of Aug. 30th it was reported that Edward Griffin Ringrose, proprietor of E. G. Ringrose Co., 76 Beaver Street, New York City, had become an officer of The Federal Corporation. This was in error, as Edward Gerard Ringrose, son of the head of E. G. Ringrose Co., is Vice-President and Treasurer of The Federal Corporation.

We take pleasure in announcing
the appointment of
MR. BRUCE McKENNAN
as Vice President of this company
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We take pleasure in announcing that
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LAZARD FRÈRES & CO.

New York, September 1, 1945.

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SEPTEMBER 1, 1945

Lehman Bros. Admit Bunker as Partner

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, announce that Arthur H. Bunker has been admitted to their firm as a general partner. Mr. Bunker's admission to partnership was previously reported in the "Financial Chronicle" of Aug. 30.

Irwin Kranz Joins Dept. of Goodbody

Goodbody & Co., 115 Broadway, New York City, Members New York Stock Exchange, announce that Irwin Kranz has joined their investment sales department. Mr. Kranz was formerly with Craigmyle, Rogers & Co. and in the past was an officer of Swart, Brent & Co.

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Real Estate Securities

Private home construction, in spite of war time restrictions still in effect, is beginning to show an increase, Commissioner Raymond M. Foley of the Federal Housing Administration reported on September 1st.

Applications for insured financing on new homes to be constructed under the provisions of Title II of the FHA program averaged more than 1,000 a week during the three month period from May through July. A substantial increase in this volume may be expected, Mr. Foley said, just as soon as remaining restrictions can be removed and building materials, especially lumber, become available.

In July of this year, the FHA field offices received applications from private financial institutions to insure mortgages to finance the construction of 5,035 new homes of which 4,224 were to be built under the peace time provisions of Title II.

During the same month in 1944, applications for FHA mortgage insurance totaled 2,792, of which all but 129 were to be built under the wartime provisions of Title VI.

"This is an indication," Mr. Foley said, "that the private home builders of America, financed by private lending institutions under the FHA program, are starting on their post-war programs to meet the nation's acute housing shortage. Builders have to have their plans ready when they apply for mortgage insurance."

The July record merely reflected the steady increase of applications for new home construction under Title II during recent months. The record since the first of the year shows 382 applications in January; 614 applications in February; 961 applications in March; 1,600 applications in April; 4,076 applications in May; 4,425 applications in June and 4,224 applications in July.

In addition, the FHA's operations in insuring mortgages on existing houses during the twelve month period ending June 30 was the largest in volume in five years.

William J. Raber With Stewart, Scanlon Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—William J. Raber has become associated with Stewart, Scanlon & Co., 220 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Raber was previously manager of the trading department of the local office of Merrill Lynch, Pierce, Fenner & Beane.

Miss Woods 25 Yrs. With E. H. Rollins in S. F.

SAN FRANCISCO, CALIF. — Miss Marjorie Helen Woods is celebrating her 25th anniversary with E. H. Rollins & Sons Incorporated, Russ Building. Her friends are wondering how she has stood being Tom Price's assistant in the trading department for so long.

Rousselot Resumes Duties At Orvis Bros. & Co.

Major Harold A. Rousselot has resumed his duties as a general partner of the New York Stock Exchange firm of Orvis Brothers & Co., 14 Wall Street, New York City, having recently received his release from the U. S. Army Air Force.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Guide to Railroad Reorganization Securities—revised plan of reorganization of the Delaware, Lackawanna & Western Railroad Company—the first of a series of revisions being sent to holders of the "Guide" to amend the fourth edition—Pflugfelder, Bampton & Rust, 61 Broadway, New York 6, New York.

Hawaiian Stocks—study of **Alexander & Baldwin, Ltd.** and **Castle & Cooke, Ltd.**—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Also available is a timely report on **Golden State Co.**

160 Stocks to Consider Now—lists of stocks divided into groups and arranged according to estimate of investment timing—$1.00 for lists, studies of each list and Standard & Poor's Investment Policy Committee's program for the near-term and the long-term—also three issues of **The Outlook**, a service for investors—offer open to new readers—Standard & Poor's Corporation, 345 Hudson Street, New York 14, New York.

Outlook for the Railroad Equipment Industry—eight page brochure, with comparative figures—H. Hentz & Co., Hanover Square, New York, N. Y.

Peacetime Outlook for Public Utility Stocks—descriptive information—Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Railroads in the Reconversion Period—study of the outlook for the railroads—McLaughlin, Baird & Reuss, 1 Wall Street, New York 8, N. Y.

Wall Street Commentator—a digest of current events in the financial markets of North America, with reviews and analyses of specific situations appearing to have exceptional investment and/or profit possibilities—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Illinois.

Also available is late memorandum on **Colorado & Southern Common.**

Baker-Raulong Company—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available are analyses of **Liquidometer Corp., Delaware Rayon and New Bedford Rayon.**

Bank of America, N. T. & S. A.—analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 24, Calif.

Benguet Consolidated Mining—circular—F. Bleibtreu & Co., Inc., 79 Wall Street, New York 5, N. Y.

Also available are memoranda on **San Mauricio Gold Mines** and **Mindanao Mother Lode Mining.**

Bird & Son—memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Eastern Corporation** and **Mastic Asphalt.**

Boston & Main Railroad—analytical study of current situation—B. W. Pizzini & Co. Inc., 25 Broad Street, New York 4, N. Y.

Boston & Maine Railroad—circular—Price, McNeal & Co., 165 Broadway, New York 6, N. Y.

Christiana Securities Company—analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, New York.

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Kingan & Co.** and **Riverside Cement.**

Consolidated Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4. Ill.

Consolidated Rock Products—Descriptive circular—**C. E. de Willers & Co.**, 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

Continental Aviation & Engineering—Study of outlook and possibilities for this company which is a factor in the field of jet propulsion—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Great American Industries; Electrolux; Brockway Motors; Scovill Mfg.; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Southeastern Corp.; Detroit Harvester; Bowser, Inc.; Mohawk Rubber Co.; TACA Airways; American Window Glass; Continental Aviation & Eng.; Michigan Chemical and Purolator Products.

Dunningcolor—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **International Detrola.**

Durez Plastics & Chemicals—descriptive circular—Doolittle, Schoellkopf & Co., Liberty Bank Building, Buffalo 2, N. Y.

Also available is information on **Hotels Statler** and **Buffalo Bolt.**

Employers Group Associates—study of situation—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

Franklin Railway Supply Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

General Industries Co.—Recent report—**Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Also available a report on **National Stamping Co.**

Great American Industries—special analysis—Allen & Company, 30 Broad Street, New York 4, N. Y.

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **Thermatomic Carbon Co.** and a new analysis of **Panama Coca-Cola.**

International Detrola Corporation—analysis of rapidly growing company in the radio and home appliance field—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Long Bell Lumber Co.—detailed brochure for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner, Rouse & Co., 25 Broad Street New York 4, N. Y.**

Midland Realization and **Midland Utilities Common**—Memorandum—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Midland Utilities and Midland Realization Company—A study of Values and Distribution, prompted by consensus of opinion pointing to near-term liquidation of utilities and realization companies—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are brochures and statistical information for dealers on **Garrett Corporation** and **Magnavox Company.**

Nashawena Mills—Circular—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

National Terminals Corporation—circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Howell Electric Motors** and **American Service Co.**

New England Lime Co.—Circular—Dayton Haigney & Company, 75 Federal Street, Boston 10, Mass.

Pittsburgh Railways — Current study—**First Colony Corporation**, 70 Pine Street, New York 5, N. Y.

Pittsburgh Railways Company—discussion of profit possibilities in certain system bonds and underlying stocks—F. J. Young & Co., Inc., 52 Wall Street, New York 5, N. Y.

H. K. Porter Company—analysis—Sills, Minton & Company, Inc., 209 South La Salle Street, Chicago 4, Ill.

Also available are statistical memoranda on **Liberty Loan Corporation**, and **Serrick Corporation.**

Public National Bank & Trust Company—Analysis—for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Railroad Tax Credit Potentials—study with tabulation of comparative figures available to dealers—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Disposition of Wartime Railroad Earnings.**

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation**, 350 Fifth Avenue, New York 1, N. Y.

Simplex Paper Corp.—report—White, Noble & Co., Michigan Trust Building, Grand Rapids 2, Mich.

Simplicity Pattern Co., Inc.—analysis for dealers only—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Van Dorn Iron Works common—report—Hughes & Treat, 40 Wall Street, New York 5, N. Y.

Ward Baking Company—memorandum on the Recapitalization with particular reference to the outstanding preferred stock—Stern & Co., 120 Broadway, New York 5, N. Y.

Wellman Engineering—descriptive memorandum — Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio.

Wellman Engineering Co.—Descriptive circular — Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y.

Winters & Crampton—Up-to-date analysis on current situation—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

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Raising Our Sights

(Continued from first page)

they must help, as the Government shall help.

The sponsors of this Labor Day Centennial celebration—the labor organizations, the Association of Commerce, the officials of the city and county, and the civic organizations—are all to be commended on their contribution to the total war we waged, and they shall and must help the State and Federal governments with the problems of the future. All groups in this country must contribute to making this a land of milk and honey and peace, even as they worked together to win the war.

Now that the cease fire order has gone out around the world, what does the future hold for us? We can obtain some idea of what the future may bring by recalling some of the tremendous changes that Peoria has had in the past century. When we are celebrating a 100th annivarsary it is easy to do some reminiscing about the good old days. Glancing briefly at the century between 1845 and 1945 we find many marked changes.

The first generation of that period saw the coming of the railroad to Peoria. When we remember what those first railroads were like and when we remember that was the only modern means of transportation, we realize we really had a frontier. Later, that generation saw the Civil War and the trying days of getting back on our feet. Toward the end of that rebuilding period some of that generation used the telephone.

The second generation of that century saw electricity come to Peoria. They reveled in the Gay Nineties. The Spanish-American War came, and the last of that generation saw the first automobiles.

The third generation of that century has seen the radio, good roads, and airplanes come to Peoria. They have lived through the insecure Twenties and have participated in two World Wars.

Summing up that century, we see one or more wars in every generation. That is a part of the picture that we must bend every effort to change. Wars are not inevitable, and we must stop their recurrence.

On the other hand, that century saw the development of the railroad, telephone, electricity, radio, automobiles, airplanes. Today we see the beginnings of television and of a new source of energy. We do not know the exact future of either of these developments, but the prospects seem interesting enough to stick around awhile and see what happens.

What the future holds for us is a big question. I do not propose to assume the role of a prophet and lay down a definite, accurate forecast. Nor do I assume that our future is predestined. In fact, we have decisions, and more decisions, to make. That very fact gives challenge and interest to our lives. What our future is will depend upon what we think and plan and do.

If we are to think constructively, if we are to act effectively, we must at the outset recognize that periods of war, peace, depression, or boom are not ordained for us. We have free wills. We have much freedom of action. By our objectives and by our deeds we shall affect our future.

That future must contain a good standard of living. A good standard of living means not only a high level of income and economic security, but also a social and political atmosphere in which we like to live. Many of the social interests that we desire, however, depend upon our own individual choices, providing that there is an economic level which permits their attainment. Hence, we have laid, in major part, the groundwork for good American living if we attain a sound and expansive economy.

What does a sound and expansive economy include? It includes a high level of income for every American; it includes a high level of employment so that no worker who wants a job will long be out of a job. It includes a high level of production; it includes a good market for our industrial and agricultural production.

A high level of production means that the goods and services that make life comfortable and worthwhile are available. A high level of production means high income so that each and every American can buy many of those goods and services.

These three simple objectives—high income, full employment, and abundant goods and services—require vigilance and action on many fronts. Industry must operate in an atmosphere that encourages expansion and development. We must have a tax policy, a loan policy, an anti-monopoly policy, that encourages expansion and development.

The workers of this country must have not only high wages but also economic security. To have economic security the worker must have assistance during periods of unemployment and must have protection against prolonged unemployment.

A program to alleviate unemployment should include the broadening of unemployment compensation both as to coverage and amount of payments; a service during reconversion to help the right man to be at the right place, at the right time, in the right job, and the coordination of public and private expenditure.

For the workers of this country to have high wages, industry must turn out a large volume at a reasonable profit. There must not be unfair competition leading to the cutting of wage rates. Collective bargaining must be effective and must be carried on in an atmosphere of cooperation and good faith.

In order that the farmer may have a high income, he must have a market at good prices for his produce. This means that industry must be running in high gear; this means that the workers must have full employment and good wages to be able to buy the products of the farm.

Here in Peoria we are in a particularly appropriate position to realize what full employment at good wages means to the farmer. The source of our great economic strength is the efficiency and productivity of our labor, industry and agriculture. Nothing could be more tragic than to have this enormous power wasted in industrial unemployment and in unmarketable farm surpluses.

This country is one big economic unit. Prosperity is national prosperity; depression is national depression. We have learned that no section of the country, no branch of industry or agriculture can escape the consequences of national depression; and we have learned that all benefit from national prosperity. Farmers and workers have a common interest in each other's well-being, for that is the only way they themselves can prosper.

This is plain common sense. The farmers of this country want to sell what they produce at prices that will give them a decent living. They know that their big markets are in the cities where American industry and American commerce thrive.

When the automobile worker in Detroit and the steel worker in Pittsburgh lose their jobs, the effect is felt by the cotton and tobacco farmers of the South, the cattle and sheep raisers of the West, the fruit growers of the Pacific Coast, and the corn and hog farmers of the Middle West. These farmers feel the depression through the sharp fall in prices and the accumulation of surplus crops.

That's what happened between 1929 and 1933. Employment in factories, mines and mills fell by 45%. Factory payrolls went down and down until they were little more than one-third of what they had been. And that is about the extent to which cash farm income went down—from $11,300,000,000 in 1929 to $4,700,000,000 in 1932.

The industrial depression aggravated the agricultural depression. Crops could not be sold. Five-cent cotton and 10-cent corn are part of the pattern of unemployment and depression. The farmers that were foreclosed and dispossessed, the farmers that struggled through years of poverty, were as much the victims of industrial depression as the unemployed and the poorly paid workers in the cities.

It is just as true that when jobs are plentiful and wages are high, farmers share in the prosperity through greater consumption of farm commodities at better prices. That's what happened between 1941 and 1944. As employment in industry rose in response to war needs, as payrolls went up, farmers found that the demand for their products steadily increased.

Despite the largest agricultural production by far in all our history, accumulated surpluses began to disappear and we were faced by shortages. We went from surpluses that glutted the market to rationing of food, because our people had the chance to eat like they should. Farm prices rose and cash farm income went up from $11,700,000,000 to more than $21,000,000,000.

There is nothig mysterious about this. Some of the food has gone abroad; but very little more than we customarily exported in the 1920s. The men in the armed forces have eaten more; but not much more than they would have eaten at home. These are minor factors. The real reason for the increased demand for farm products is that with plenty of jobs at good wages our people buy more food. Some of us have not been able to get as much meat, butter and fruits as we should like. Nevertheless, the people of this country are eating more food, and more of the protective foods. As a people we are better nourished than ever before.

This experience of the 1930s and 1940s shows clearly that a sound post-war farm program must start with plenty of jobs at good wages in industry so that our workers can consume the foods and fibers which our farms produce in abundance. Nothing can contribute to the prosperity of the farmer more than for labor to have full employment at good wages.

Labor, industry and agriculture will need some assistance from the Government to reach and maintain the high and expansive economy that all of us desire. In addition, we must bring millions of our boys back from overseas; we must provide for our sick and wounded with the full care that medical science affords. We must terminate our uncompleted war contracts. We must occupy and police the former enemy countries until they are ready to be received back into the society of nations. All of these things cost money.

Moreover, much of the cost of the war remains with us. Out of a public debt of about $265,000,000,000, some $220,000,000,000 represents the cost of the war that we have not paid as we went along. By July 1, 1946, even if we have no tax reduction at all, the public debt is likely to be around $275,000,000,000. At existing rates of interest, the annual carrying charge will be about $5,500,000,000. This represents about 2¾% of our present annual product.

If the value of our national product after the war is lower than it is now, and if interest rates remain at their present levels, the carrying charge of course will be a higher percentage. In that event it will be more difficult to pay our expenses. We must be determined, therefore, that our national product and our national income shall be as high as our human, natural, and technical resources can make it. With a high product and income, our financial problems will be simplified. Without it, they will be magnified.

Interest rates determine the real burden of the debt. They should continue low for a long time to come. It is self-evident that this is in the interest of people as taxpayers. Not as evident, but just as valid, is that low interest rates—what the economists call a "cheap money policy"—benefits the people as consumers, as workers, and as citizens. Low interest rates, for example, will be an important factor in making possible the better homes, the better industrial plants, and the better public facilities which will make our country tomorrow more productive and a better place to live in that it was yesterday.

Our necessary expenditures and our carrying charge on the public debt will require a large budget. For a long time to come our expenditures, even after demobilization and reconversion, will probably be around $25,000,000,000 per year. To meet this budget we must have sizable taxes. Although we may be able to make some reductions in tax rates, taxes must

(Continued on page 1050)

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By MARK MERIT

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We found—and had several narrow escapes from accidents in doing it—that there are a lot of faulty brakes on the road. There was poor timing on the part of drivers who had lost some of their technique of driving in traffic. Some of the ancient cars weren't able to respond to the throttle as they once did.

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Raising Our Sights

(Continued from page 1049)

remain relatively high. But high taxes are easier to pay with high income than low taxes with low income. Even if the Government takes a larger slice of a bigger pie, there will be more nourishment left for the taxpayer than if the Government took a smaller slice of a still smaller pie.

In considering the cost of the war and our future taxes, it is not to be forgotten that the willingness to spend money at the proper time for the proper item may repay us many times. For example, the development of that new phenomenal weapon of war, the atomic bomb, cost us, the War Department reports, $2,000,000,000. Even though we have become accustomed to big figures, that's still a lot of money. Two billion dollars represented one-half of our national budget per year in the 20s. In contrast, the war was costing us about $90,000,000,000 a year, or about $250,000,000 a day. That means that if the atomic bomb shortened the war by nine days, we were more than repaid its development cost. But even more, we have saved thousands of American, British, Russian and Chinese lives. Moreover, we have developed a principle in the creation and harnessing of energy that can find many uses in peace-time production for the benefit of each and every one of us. The expenditure of money on the development of the atomic bomb was an excellent investment. Often our expenditures are not simply liabilities of today, but are investments for tomorrow. Many expenditures will repay us many times in money, in health, in welfare and in material goods that we can use day by day.

Although taxes will remain high, there will be improvements in our tax system such as simplification and the elimination of inequities. The modernization of our tax structure is a basic factor in the program to reach and maintain full employment.

To meet our needs, to have a sound tax policy and to aid full employment, taxes should be levied in such a way as not to deter business investment and the creation of jobs, because productive employment is the source of a high standard of living and of the revenue the Government requires.

Business investment, however, will be profitable only if the great mass of consumers take home enough money in their pay envelopes to buy the products of our expanded industrial machine. Taxes should be levied so as not to burden mass markets and mass purchasing power, which are essential to prosperity for all of us.

Tax burdens must be equitably distributed among all people in accordance with the taxpayer's ability to pay. Tax programs must be integrated with an over-all fiscal policy designed to prevent inflation and deflation.

We must meet the future with a high and expansive economy. This requires the recognition and the resolution of many problems in this country. But what the future holds for us is not limited to what we do about our local problems.

I suppose in this fine, peaceful, Midwestern city with its diversified activities that on occasion some have held the thought that we can live unto ourselves alone. We can not. The war proved conclusively what we really knew for some time.

The atomic bomb is a graphic illustration. When we first dropped the atomic bomb on a city of 325,000, apparently we destroyed a population the equal of this entire city. When we are able to reach half way around the world and with a single bomb wipe out a population equivalent to that of this city, how can the thought be longer held that we can live without concern of all international problems?

We are a great factor in the world today. Other nations recognize it. The question is whether we shall fully realize it and take the responsibility and the leadership it entails.

This leadership and responsibility is two-fold. First, we must build upon a sound foundation at home. Recently, many have said that the world's economy must be stable or we can not have a sound expansive economy at home. With that I agree, but I add and emphasize that the world does not stand a chance of attaining a stable economic system unless this country has a sound, high-level economy.

Second, we must participate in the world's economy. To do so is in our self-interest. We must work with the other nations of the world to establish a healthy economy that encourages a full flow of trade between nations. This will give us markets abroad. Without such markets we can not have the high standard of living that we desire for our own people.

The necessity for the nations to work together for the benefit of all has been dramatized by the atomic bomb. There is a truism in military history and in football strategy that every new offensive will eventually lose its power because ways and means will be found to counteract it. Some sober military writers in this country and elsewhere, however, express the fear that man has at last found in the atomic bomb an offensive for which no adequate defense will be found within the foreseeable future.

Meanwhile, whatever the outcome of the military search, the answer to the atomic bomb—the only answer we have today—is lasting peace through genuine international political and economic cooperation.

You and I can face the future with the knowledge that not only have the nations of the world learned that their security depends upon effective international political and military cooperation, but equally important, they know now that their prosperity demands sound international economic collaboration. Not only have we learned this lesson, we have acted upon it.

The road ahead already has the familiar landmarks of Reciprocal Trade Agreements, the Export-Import Bank, the United Nations Relief and Rehabilitation Administration, the International Food and Agricultural Organization, the Social and Economic Council of the United Nations Security Organization, and the Bretton Woods Agreements establishing the International Monetary Fund and the Internnational Bank for Reconstruction and Development.

Today we are so close to the scene of the actual birth of these great international economic institutions, born as they largely were during the throes of the greatest war in all history, that I question our capacity to comprehend their true significance. In the perspective of history I believe that these economic landmarks will be recorded as the point where man turned from the bloody path of international strife and self-destruction to the broad road of true international cooperation and lasting peace.

These trail-blazing measures, together with others, offer us concrete assurance that the nations of the world are determined to get to the core of those international economic problems which so profoundly affected world security and prosperity between the two World Wars. No man today, of course, can guarantee that these measures will be adequate or effective. While they are probably the best that could be agreed upon in advance of actual trial, I have little doubt but what experience will disclose many avenues for improvement. But the important thing to remember is not that they may have faults, but if they do have faults, you and I and others like us all over the world are determined to correct those faults and make the international economy work. While we will be patient and sympathetic if mistakes are made, we will not tolerate, we can not tolerate, failure.

If we have the same unity in peace as in war, if we work together at home and abroad, I am optimistic about what the future holds for us. To solve the problems of the future, we must be able to grow. Just as an individual becomes old in mind and spirit as he loses the ability to grow, so our communities, our countries, and our world will grow old only if we lose the capacity for growth.

Peoria, which has grown from a city of 2,000 in 1845 to a city of well over 100,000 in 1945, is symbolic of this country's capacity for growth. I realize that you folks in Peoria have to put up with a lot of stale jokes about your city. When a jokester lays an egg, doesn't he invariably say, "They loved me in Peoria"? Your only rival, I believe, is St. Joe. But these jabs are, in a sense, compliments. They are recognition of your bustling spirit; they are recognition that you have had growing pains rather than dry rot. I think you folks can grow; I think my folks in Kentucky can grow; I am confident that this entire nation can grow. With that capacity for growth, I do not worry about our future.

If we handle the problems of the future as well as we have met the series of historic events of the past few weeks, we can look forward with high optimism. Remember, it was less than five

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months ago that our great wartime leader, President Roosevelt, died in the service of his country. There was much concern about the future when that man of vision left us. Even those who had said that they did not like that man in the White House were shocked.

At that time some did not know President Truman well. Today the world knows him well. They know him as the man who has taken the torch from President Roosevelt and that he carries it forward and carries it high. We know him as a frank, decisive, energetic, experienced and capable leader of men. We are proud of this Midwesterner.

Have you recalled recently what has happened since the day he took office? On Apr. 25, the San Francisco Conference opened. May 8 was V-E Day. On June 18, we welcomed General Eisenhower back for a job well done. On June 26, the President closed the successful San Francisco Conference. On July 17, the Potsdam Conference began. On July 20, the Bretton Woods Monetary Agreements were overwhelmingly approved by Congress. On July 28, the United Nations Charter was approved by the Senate, with only two dissenting votes. The Potsdam declaration was on Aug. 2. On Aug. 5, the first atomic bomb was dropped. In accordance with its previous agreement, Russia declared war on Japan on Aug. 8. On Aug. 14, Japan stated that she was ready to accept our surrender terms.

Through all of this history, President Truman has been a courageous, a stable but imaginative leader. With a record like this, with this kind of leadership, with God's help, we can raise our sights and see a bright future.

Leo J. Doyle Buys O'Connor Interest in Doyle, O'Connor

CHICAGO, ILL.—Leo J. Doyle, President of Doyle, O'Connor & Co., 135 South La Salle Street, has purchased the interest of James J. O'Connor in the firm and will later change its name to Doyle & Co.

Mr. O'Connor has established the new firm J. J. O'Connor & Co., formation of which was reported in the "Chronicle" of Aug. 30th.

Doyle, O'Connor & Co. has also announced that Leonard H. Kasbohm, treasurer, who has been associated with the company since its formation, has been made a vice-president.

Nordberg Rejoins Rollins as V.-P.

CHICAGO, ILL.—H. Gerald Nordberg has been elected a vice-president of E. H. Rollins & Sons, Incorporated, the corporation announces. He will be located in the Chicago office, 135 South La Salle Street, and his activities will include the handling of institutional accounts and developing new business. Mr. Nordberg was formerly with the Rollins organization and was granted a leave of absence in 1942 to become a lieutenant in the Navy. He has recently been released from active duty.

Urge Simplified SEC Procedures

Executives Complain of Amount of Information Required, Excessive Costs, Delays and Liability.

Fear that omission of some minor detail in preparing prospectuses or registration statements will subject corporation officials and directors to heavy penalties under the Securities and Exchange laws and regulations involves applicants in tedious and costly preparation and overlong presentation, according to a survey of industrial and utilities' executives just made by the National Industrial Conference Board.

The executives generally consider the acts and the SEC procedures as basically sound and desirable, but hold that reports can and should be simplified. "As it is now," said one executive, "management is apt to dig up and report a lot of things that it really considers trivial but is afraid that the SEC or some court might feel otherwise about."

Objections to the acts and their administration frequently mentioned in the replies were the following:

(1) Too much information is required; (2) the information sometimes required is of such a character that publicity in regard to it would damage the corporation; (3) disclosure of salaries of officers and directors is undesirable; (4) the costs of compliance are too great; (5) excessive liability is imposed on directors and officers; (6) too much delay is entailed in completing the financing program; and (7) the SEC attempts unreasonably to regulate corporate business.

Many of the executives contend that prospective investors do not need and do not read much of the voluminous statements, descriptions, exhibits, forms, amendments, and so on. Since the prospectus is primarily a selling document, it might be more effective if it were only a few pages in length. Yet a brief summarization of the material facts would not conform to the requirement that complete disclosure of information be provided to every potential investor.

Fears were also expressed that disclosures may harm both stockholders and the corporation seeking funds because "it forces the company to disclose to competition gaps or omissions in its domestic patent structure." In cases where the new money is to be used to acquire a going business, public disclosure of all the details might well upset the entire transaction.

As to the revelation of corporate salaries in proxy statements, one executive complains that: "We doubt if certain sections of the American public will ever realize that any executive is worth more than $5,000 a year, and the requirement which is forced on us by the SEC to set forth this information leads to constant misunderstandings on the part of our own stockholders."

One executive criticized the length of a proposed plan of reorganization, running to 111 pages, which he had received as a stockholder. Another referred to proxy statements of 31, 33, and 34 pages, which he believed to be a pure waste of printed matter for the average stockholder. "A synopsis," he said, "would be all that is necessary, although the information should be available to each stockholder on request."

Costs of Complying

The attitude of executives toward costs of complying with SEC requirements depend largely on the size of the issue or the corporation. In general, it is held that costs are excessive for small business that does not have the accounting or legal staffs needed to prepare the statements and prospectuses and must hire costly outside professional help for the purpose. Some of the opinions expressed were:

"The SEC regulations and requirements are such now that they offer a serious handicap to the formation of new small business." "The legal fees necessary for preparing the data required by the SEC on a small issue which we floated three years ago amounted to 7½% of the cash which we ultimately received from the issue, and, on top of this were the brokerage fees."

Among the smaller businesses, small mining developments are apparently being frozen out by the stringent SEC requirements. One correspondent reports that: "More and more, the development of mining companies is being done by the large, well-financed mining companies already in existence. The result is that the little fellow is shut out, and, in a measurable period of time, mining will be carried on only by a few large companies. The mine financing business has been overly policed and regulated until only the fearless and well-financed attempt to engage in its work."

Suggested Improvements

Specific suggestions for simplifying and improving financing through the SEC include the following:

1. Reduction of the number of details as to location and construction of plants and the principal contracts and stock holdings.

2. Changing the requirements "so as to give the investor the chief facts rather than a long and highly involved prospectus which very few investors will read and even fewer will understand." This might be done through a summary prospectus, with a statement that it is incomplete and therefore not a basis for possible claims against officers and directors. The complete document could be made available upon request.

3. Exemption of corporations listed on the New York Stock Exchange or some equally reputable body, which requires the filing of financial details.

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Hemphill, Noyes Offers Colonial Stores Preferred

A group headed by Hemphill, Noyes & Co. is underwriting 30,000 shares of Colonial Stores, Inc. cumulative preferred stock, 4% series, $50 par value. The group is offering 7,522 shares at $50 a share, plus accrued dividends from Sept. 7 for delivery after that date, and will purchase from Colonial Stores and offer to the public any of the remaining 52,478 shares not taken by holders of the company's 5% cumulative preferred stock, Series A, on a share for share exchange basis.

The exchange offer made by Colonial Stores to holders of its Series A preferred expired at noon Sept. 4, and shares not deposited for exchange will be redeemed on or about Oct. 8 at $52.50 per share and accrued dividends. Nondetachable warrants for the purchase of common stock attached to certificates for the old preferred will become void at the close of business on the redemption date, if not exercised.

As long as any shares of the 4% preferred are outstanding there is to be a semi-annual sinking fund payment, beginning on or before Mar. 1, 1946, sufficient to redeem 1% of the maximum number of shares outstanding.

The stock is redeemable at prices ranging from $52.50 to $50, and is redeemable through the sinking fund at prices ranging from $51.25 to $50.

Now Proprietorship

Willis E. Burnside is now conducting Willis E. Burnside & Co., 30 Pine Street, New York City, as a sole proprietorship. William J. Tetmeyer was formerly a partner in the firm.

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David A. Carey Heads New Dept. for Gruss

Gruss & Co., 115 Broadway, New York City, members of the New York Curb Exchange, announce the opening of an Unlisted Securities Department under the supervision of David A. Carey. For the last seven years Mr. Carey has been associated with F. Eberstadt & Co., Inc. Prior to that he was with Riter & Co. for two years and before that was associated for eleven years with Dillon, Read & Co.

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Pennsylvania Brevities

Local Industries Lead in Reconversion

A War Manpower Commission survey of 75 large labor markets throughout the country has shown the Philadelphia industrial area, second largest in the country, to be least affected by reconversion, according to Area Director Anderson of the WMC. He estimates that possibly 50,000 persons may be laid off in this district but that 40,000 of them will be rapidly absorbed in other industries.

Federal, state, municipal and private industry projects for post-war Philadelphia add up to over a half billion dollars. Business leaders foresee an era of prosperity that may well extend over the next five or six years.

Many private corporations have already embarked upon programs of expansion. Others have announced their intentions of so doing.

The Philadelphia Electric Co is spending $48,000,000 on its new Southwark Station at 2501 S. Delaware Ave., now under construction.

The Philadelphia Transportation Co. has a 5-year modernization program which will involve an expenditure of $19,500,000.

The Board of Education will expend $10,000,000 on six new public schools.

The Edward G. Budd Mfg. Co. has announced a 2-year program during which it will spend $6,000,000 for new buildings and equipment.

Other individual projects are: a $1,000,000 plant under construction by Philco Radio and Television Corp. at Westmoreland and C Sts.; a $2,000,000 factory by the Publicker Co. at Oregon and Swanson St.; a $1,500,000 motion picture theater to be built at 15th and Chestnut Sts., and a number of stores to be built at a cost of $1,500,000 at Broad St. and Lehigh Avenue.

According to Alfred P. Orleans, president of the Home Builders Association of Philadelphia and Suburbs, approximately $300,000,000 will be spent in the construction of 35,000 new homes during the next five years, and approximately $117,000,000 in the construction of 19,500 modern, low-cost group houses and apartments.

These projects are expected to provide employment for 31,000 skilled and unskilled workers in the building trades and furnish jobs for more than 50,000 others in manufacturing industries which will supply materials.

Warner Company

At a special stockholders' meeting held Aug. 17, the proposed recapitalization of Warner Company was approved. The plan offers holders of the first preferred an option of exchanging their shares for six shares of common or of receiving the amount of

(Continued on page 1053)

McKennan Heads Dept. Of First California

SAN FRANCISCO, CALIF.—Bruce McKennan, well-known investment securities expert, has been appointed Vice-President of the First California Company, 300 Montgomery Street, in charge of the firm's government, municipal and corporate bond department, according to an announcement made by George H. Grant, President of the company.

Appointment of Mr. McKennan, President Grant said, was in keeping with the development of the firm's services to the general public. Mr. McKennan's wide experience both in government and corporation bonds and in the servicing of large institutional accounts increases the effectiveness of that department.

McKennan, a Dartmouth economics major, brings to his new position a sound background of experience gained in Eastern and Western markets. He has been engaged in the investment bond business since his graduation in 1927, with the exception of the 30 months he served with the U.S. Air Corps. Entering the service in 1942 as a first lieutenant he moved up to the rank of major and became executive officer of one of the First Mustang Fighter Groups (No. 363) with which he saw active service in the European theatre. He returned to the United States in September, 1944, and upon his request at that time was placed on inactive status December, 1944.

Clifford Hawley Now at Sheridan, Bogan

PHILADELPHIA, PA. — Clifford B. Hawley, heretofore Vice-President of Bankers Securities Corporation, of Philadelphia, has become associated with Sheridan, Bogan Co., 1616 Walnut Street, members of the Philadelphia Stock Exchange.

Traders to Get the Bird

Two additional Income Tax Exemptions are expected at the homes of A. L. Hutchinson, Buckley Brothers, and Benjamin A. Brooks, W. H. Bell & Co., respectively, in time to be included in the Sept. 30 inventory.

Municipal News & Notes

Howard S. Cullman, Chairman of the Port of New York Authority, has announced that the bi-State agency will receive sealed bids until 11 a.m. on Sept. 12 on an offering of $7,500,000 series J, General Reserve bonds, maturing in 1985. Proceeds of the issue will be used to finance construction of the Authority's proposed Manhattan and Newark union motor freight terminals, which are designed to expedite the handling of less-truckload freight, reduce street traffic congestion and permit lower local trucking and terminal costs for over-the-road common carriers. Actual construction work on the two projects will begin as soon as materials are available and they will be ready for operation by the Port Authority in January, 1947.

In connection with the bond issue, the rate of interest, not exceeding 2%, is to be named by the bidder in multiples of ¼%. The issue, designated Series J bonds, "will be the first long-term bonds issued by the Port Authority since 1931 which are not general and refunding bonds within the scope of the Basic Resolution authorizing the sale of Port Authority securities," Mr. Cullman explained. "They will therefore," he continued, "be payable out of the revenues of the two motor truck terminal projects and the Authority's General Reserve Fund." General and refunding bonds, it is noted, are payable out of the pooled revenues of all facilities owned and operated by the agency, as well as out of the General Reserve.

The Port Authority Chairman pointed out that the Series J Bonds will include a mandatory conversion feature. The Port Authority and the bond buyer would agree to the conversion of the bonds into General and Refunding Bonds of the same coupon and maturity as soon as the new bonds become eligible for such conversion under the terms of the Basic Resolution. This would probably be on the date that the two motor truck terminals were opened.

If the successful bidder for the Series J Bonds names a coupon rate of 1½%, then the bonds will be convertible into a second installment of the Ninth Series of Port Authority General and Refunding Bonds. The first installment of $12,000,000 of Ninth Series Bonds was sold last March. Any coupon rate other than 1½% would result in the conversion of the bonds into a newly authorized Tenth Series of General and Refunding Bonds. In either case the dating of the bonds, interest rate, call and sinking fund provisions of the Series J Bonds will be identical with the provisions of the General and Refunding Bonds into which they will be converted. The only difference will be that the security of the General and Refunding Bonds will be substituted for the security of the new issue.

According to Mr. Cullman, the mandatory conversion feature of the bond issue will save the Port Authority between 2 and 2½ points a bond by eliminating a separate refunding operation after the truck terminals are opened and the projects become eligible for such a refunding operation under the law.

Long Beach, N. Y., Refunding Issue to Be Awarded Oct. 1

The City of Long Beach, N. Y., is asking for sealed bids until Oct. 1 on an issue of $5,379,000 refunding bonds, purpose of which is to provide for refinancing of its entire outstanding bonded debt. Authority for the refunding has been granted by the New York State Comptroller, who is required by the statute to pass on any refunding of debt proposed by any of the State's political subdivisions.

The Long Beach program was approved in recognition of the strongly improved financial condition of the city, factual evidence of which was obtained by representatives of investment houses as a result of recent "see for yourselves" visits to the well-known Long Island community. Two groups of financial experts participated in "on the spot" investigations of the city's physical plant, its financial and real estate history, tax structure, probable future growth and other relevant factors on July 25 and Aug. 29.

The forthcoming refunding issue will be dated on or before Nov. 1, 1945 and will be entirely liquidated in 13 years and 3 months, according to City Auditor John B. McCabe, who also pointed out that the refunding will result in a savings to the city of more than $1,000,000 in net interest charges. The first maturities of the new bonds will be due on Feb. 1, 1946.

By way of illustrating the factors responsible for the city's "present exceptional fiscal health", Mayor Theodore Ornstein, under whose administration the record has been achieved, stated as follows:

"Our financial condition has been improved by (1) the liquidation of our entire floating debt; (2) adoption of a cash pay-as-you-go budget plan, which prevents future floating debt; (3) a law requiring non-extension of taxes on property over which the City acquires tax liens; (4) a local law requiring a referendum of taxpayers before borrowing for capital improvements." Mr. Ornstein pointed out that the cash budget law constitutes a contract with the bondholders during the life of the bonds.

The City, a resort which has developed into a community of year-round residents and homeowners, at one time had a debt of $8,000,000. "It would be totally impossible," the Mayor explains, "again ever to recreate such a debt. All municipal improvements are in. There will be no further need for any major expenditures for basic facilities. The City's 50 miles of streets are entirely paved. Our sanitation, water, and sewage facilities are all in."

He also revealed that in the current fiscal year, the City had conveyed title to $603,240 of property, representing an assessed valuation of more than $2.000,000 returned to the tax rolls. He said, too, that the City, although a

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residential community, takes in a yearly income from rentals and beach park admissions exceeding $5,000,000.

"The literacy rate of the community is 100%," Ornstein said, "and the economic position of our residents is far above that of the average American town. We have no depressed area in Long Beach; and in recent years our tax collections have reached close to 100%."

Financial men who have examined the City's financial structure express themselves as impressed with what has been achieved. The bonds to be issued for the purpose of refunding the City's indebtedness will consist of two issues: (1) general refunding bonds in the amount of $3,799,000; (2) water refunding bonds in the amount of $1,580,000.

Revised Ratings on Ohio Municipals Compiled

J. A. White & Co., Union Central Building, Cincinnati 2, announce the completion of the fourth annual compilation of the firm's ratings for Ohio municipal bonds, copies of which may be obtained from the bond house upon request. These ratings, Mr. White says, represent as in the past a composite consideration of the overall debt burden, the diversification of industry rating, the population rating, and certain other factors, for each community in the State.

The diversification and population ratings, incidentally, are taken from White's "Analysis of Municipal Bonds," which represents a new and more revealing approach in assessing the investment qualities of the obligations of numerous political subdivisions in all parts of the country.

In the current compilation of revised ratings for Ohio subdivisions the debt burdens are revised to Jan. 1, 1945, and, as formerly, are based upon the ration of net direct and overlapping debt to the assessed valuation.

In a letter accompanying a copy of the ratings, J. Austin White, head of J. A. White & Co., states that the subdivisions in Ohio which show the most improvement since the 1944 compilation are as follows:

Akron City, the rating for which increased from B 51 to BB 68; Akron School District which increased from BB 60 to BB 77; Lima School District, from A 113 to AA 123; Ironton School District, from BB 69 to BBB 80; Shaker Heights City and School District, from BBB 90 to BBB 98; Lawrence County, from BB 77 to BBB 89; and Summit County, from B 58 to BB 76. The improvement in practically all cases is due to the reduction in debt burdens effected between 1/1/44 and 1/1/45. Practically all cities and counties in the state shared in this reduction of debt burden, but in varying degrees, says Mr. White.

Arkansas Oct. 1 Interest Coupons Payable Now

Holders of State of Arkansas highway refunding bonds of 1941 are advised that Oct. 1 interest coupons may be presented for payment now at either the New York or Chicago offices of Halsey, Stuart & Co., Inc. Of the original issue of $136,330,557 bonds, more than $8,600,000 have already been retired by the State.

Change Name to Hawkins, Delafield & Wood

Announcement has been made of the dissolution of the firm of Hawkins, Delafield & Longfellow, and the formation of a new partnership for the general practice of law under the name of Hawkins, Delafield & Wood, by personnel of the original organization and Franklin S. Wood.

Customers Brokers Name Blanke to Head Slate

The Nominating Committee of the Association of Customers Brokers, has named Donald C. Blanke of Eastman, Dillon & Co. to head the slate presented for the annual election scheduled for Sept. 17th.

John A. Hevey, Ira Haupt & Co., has been nominated for vice-president; Richard M. Ross, Dean Witter & Co., treasurer; and Archie F. Harris, Merrill Lynch, Pierce, Fenner & Beane, secretary.

Mr. Blanke has been a member of the Association since it was formed in 1939. He has served as vice-president, treasurer and member of the executive committee.

The Nominating Committee was headed by Frank Walker of Merrill Lynch, Pierce, Fenner & Beane.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Proposed transfer of the Exchange membership of the late Walter L. Righter to Joseph B. Ray will be considered by the Exchange on Sept. 13. It is understood that Mr. Ray will act as an individual floor broker.

Francis T. Whelan retired from partnership in Brinton & Co., on July 3.

Interest of the late Claude W. Peters in Hayden, Stone & Co. ceased Aug. 31.

Interest of the late Arthur M. Whitehill in Haydock, Schreiber & Co. ceased as of Aug. 31.

Interest of the late Andrew H. Brown, Jr., member of the Exchange, in Mitchell, Hutchins & Co. ceased on Aug. 1.

Grapes & Pampel With Ball, Burge & Kraus

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Jennings H. Grapes and William S. Pampel have become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Cleveland Stock Exchanges. Mr. Pampel for many years was with Otis & Co. and has recently been with the State of Ohio Division of Securities. Mr. Grapes was with J. S. Bache & Co. and Abbott, Proctor & Paine.

PHILADELPHIA TRANSPORTATION 3-6s 2039
PHILADELPHIA TRANSPORTATION PREFERRED STOCK
TALON, INCORPORATED COMMON
FEDERAL WATER & GAS COMMON
LUKENS STEEL COMPANY COMMON
DELAWARE POWER & LIGHT COMPANY
PHILADELPHIA ELECTRIC COMMON
PHILADELPHIA ELECTRIC $1.00 PREFERENCE

RAMBO, KEEN, CLOSE & KERNER, INC.
Investment Securities
1518 Locust Street, Philadelphia
Private telephone wires to New York and Baltimore

Pennsylvania Brevities

(Continued from page 1052)

their claim (approximately $84 per share) in cash. The exchange into stock would be a tax free transaction. Wawaset Securities Company, owning the entire issue of 53,500 shares of Warner Company second preferred, has voted to accept an exchange of three shares of Warner common for each share of preferred. With its other holdings, Wawaset will then own 241,500 shares of Warner Company common.

Any shares not taken up by the first preferred holders will be underwritten and offered to the public.

Philco Corp.

John Ballantyne, president of Philco Corp., states that assembly-line production of 1946 refrigerators has been started and should reach pre-war volume within six to eight weeks. Production facilities will be doubled, Mr. Ballantyne said.

Autocar Company

The end of the war found Autocar Company faced with no reconversion problem, since trucks similar to those manufactured for the military were already in production for civilian use. The present rate of manufacture is already greater than before the war. The cancellation of approximately $14,800,000 in Army and Navy contracts permits the company to concentrate entirely on the commercial demand. Orders are on hand for several hundred heavy duty trucks. Profit margins are more favorable than those related to Government orders. The company has laid off no employes as a result of cancellations. Moreover a return to the 40-hour week represents a savings in labor costs.

Pennsylvania Power & Light Co.

The company plans to issue $93,000,000 first mortgage bonds due 1975 and $27,000,000 debentures due 1964 which should reach the market late in September. Proceeds, together with cash raised from the sale of $5,720,900 serial notes and treasury cash, will be used to refund present funded debt at an estimated saving of $1,100,000 in fixed charges.

Of considerable investor interest is the proposed distribution of and opportunity to subscribe to the common shares of Pennsylvania Power & Light Co., heretofore almost entirely owned by National Power & Light Co. Under the terms of a plan filed with the SEC, holders of National Power & Light will be entitled to subscribe to Pennsylvania Power & Light common at $10 per share in the ratio of ⅓ share for each share of National held.

C. E. Oakes, president of Pennsylvania Power & Light Co., has announced a 5-year construction program which will involve the expenditure of $65,000,000.

The SEC has set Sept. 13 for a hearing on the recapitalization plan of Scranton-Spring Brook Water Service Co. The plan is devised to enable Scranton-Spring Brook, Pennsylvania Water Service Co. and Federal Water & Gas Corp. to comply with the Public Utility Holding Company Act.

Eugene G. Grace, president of Bethlehem Steel Co., expects company's post-war employment rolls to run about 160,000 workers, or about 60% greater than the pre-war peak.

Curtis Publishing Co. announces that it will redeem, on Oct. 1, $1,149,860 of its debenture 3s, due 1955, at par and accrued interest.

Pittsburgh Plate Glass Co. stockholders have authorized an increase in common from 2,600,000 shares of $25 par to 12,500,000 shares $10 par, making possible a 4 for 1 split up of common.

Inv. Traders Assn. Gets 1945-46 Slate

PHILADELPHIA, PA.—The annual meeting and election of officers and governors of the association will be held Friday, Sept. 28, at the Benjamin Franklin Hotel. Business meeting will be held at 6 P. M. and will be followed by dinner at 8:00.

The following have been nominated for the several offices:

President, Edmund J. Davis, Rambo, Keen, Close & Kerner.

Vice-President, Alfred W. Tryder, W. H. Newbold's Son & Co.

Second Vice-President, Frederick S. Fischer, H. N. Nash & Co.

Secretary, Wallace H. Runyan, Graham, Parsons & Co.

Treasurer, Paul C. Fredericks, Jr., Warren W. York & Co.

In addition six governors will be elected for three years, three for two years and one for one year.

Hallowell Sulzberger Opens in Philadelphia

PHILADELPHIA, PA. — The firm of Hallowell, Sulzberger & Co. has opened offices to transact a general investment business at 111 So. Broad Street. The firm will be members of the New York and Philadelphia Stock Exchanges.

Henry R. Hallowell was formerly assistant manager of the investment department of Eastman, Dillon & Co., Philadelphia, and Charles H. Sulzberger was a general partner of Penington, Colket & Co.

Formation of the firm was previously reported in the "Chronicle" of Aug. 16.

Frederick Davis With Hayden, Stone & Co.

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, announce that Frederick B. Davis, Jr., is now associated with them. Mr. Davis was previously with F. T. Sutton & Co. and prior thereto was a partner in Frederick B. Davis & Co.

WESTERN PENNSYLVANIA

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Members Pittsburgh Stock Exchange
Union Tr. Bldg.—Pittsburgh 19, Pa.
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$100,000
City of
Philadelphia
4% Bonds
February 16, 1955
Price: 124.965 & Interest
To Net 1.20%
Moncure Biddle & Co.
PHILADELPHIA

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Pittsburgh Hotels 5s 1967
Phila. Transportation Pfd.
Phila. Transportation 3-6s 2039
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Samuel K. Phillips & Co.
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Packard Bldg., Philadelphia 2
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PHILADELPHIA 9
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Philadelphia—Pennypacker 4648
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Lt. Col. Carroll Is Joining Hugh Long

Lieut. Col. Wharton B. Carroll of Philadelphia, is returning to the investment business as local representative of Hugh W. Long and Company, New York, sponsor of investment companies with $67 million of assets.

Lt.-Col. W. B. Carroll

Colonel Carroll served with the Ninth Air Force Service Command in France and England. He also served overseas in World War I. Before entering the service, he was President of Kolb, Carroll & Co., of Philadelphia, and is widely known in investment circles for his pamphlets on "Inventory Under a Controlled Economy," "Fire Insurance Stocks for Investment," etc.

Howard F. Clapp Dies

Howard Franklin Clapp, a member of the New York Stock Exchange and former member of the Exchange firm of Carlisle, Mellick & Co. died at Nassau Hospital at the age of sixty-three.

Mr. Clapp began his career as uniformed floor boy on the Exchange in 1906, later being promoted to telephone clerk. He became telephone clerk and head telephone clerk for a number of firms, and in 1910 became head telephone clerk for the firm headed by Jay F. Carlisle. In 1918 he bought his own seat on the Exchange, the fourth telephone clerk to do so that year.

Non-Callable

$200,000

Province of Nova Scotia

5% Bonds, due March 1, 1960

Principal and interest payable in New York and Canada

Price to yield 2.95%

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Canadian Securities

By BRUCE WILLIAMS

Where stands Canada at this determining stage when the destinies of all the nations of the world are in the melting-pot? Brought suddenly into the forefront by the stern urgencies of war, aided by unlimited material resources and the strong united will of her people, the Dominion has reached adulthood effectively and opportunely.

Fully conscious of her new-born power, which but for the war would have been of slow growth, owing to the predominant intermixture of the Scottish and French conservative weave in the national fabric, the Dominion is now at the very hub of the new world.

To the South, nearly 4000 miles of border links Canada to the country to which the world more than ever looks for leadership; over the top of the world the Dominion is brought face to face with a new air-found neighbor, the incalculably powerful U.S.S.R. To the West, the air-transport shrunken Pacific affords an easy path to the great future markets of teeming Asia; to the East, the traveled routes of the Atlantic connect Canada with goods-famished Europe and fast-developing Africa.

Canadian industry has been nurtured in the new technological age, and the Dominion is well in the van as a producer of light metals, plastics, synthetic-rubber and electronic appartus. Now as science brings us to the era of atomic energy, Canada follows fast on the heels of this country. Near Petawawa on the Ottawa River in Ontario, the Dominion is building a pilot plant for the production of plutonium, and is utilizing the "heavy water" process, which was so nearly successfully employed by the Axis powers in their search for an atomic weapon. In this new field, Canada has the incalcuable advantage of access to the necessary raw material—uranium—from the world's largest known deposit of pitchblende located in that vast treasure-house of rare metals—the Laurentian Shield.

All these economic refinements supplement Canada's unique position as a world supplier of basic commodities—grain, meat and dairy products, timber, newsprint, asbestos, gypsum and base and precious metals. Dearth of population is now amply compensated by ready access to the technological advances made in this country and Britain, and the consequently small domestic consumption permits the production of huge exportable surpluses. Moreover, the older producing countries are increasingly looking to Canada for low cost additional sources of supply in addition to the establishment of subsidiary plants in the Dominion.

The flow of capital funds and skills from this country, and technical knowledge from Britain is now gathering momentum. Hawker-Siddeley Aircraft Co., Britain's leading airplane manufacturers, are now established in Canada. Steel and oil interests in this country are expediting the development of Steep Rock and Labrador iron, and Alberta oil.

It is now announced, following the registration with the SEC of a public offering here of shares of Gaspe Oil Ventures Ltd., that capital from this country will contribute to the prospecting and drilling for oil in the Gaspe Peninsula of Quebec. Any successful results would be highly beneficial to both this country and Canada. A source of supply near tide-water on the Atlantic seaboard would eliminate the costly pipe-line and tanker delivery from the distant Gulf points of supply. This offering is also interesting as its registration by the SEC represents a welcome pioneer effort in financing Canadian mining and oil development, which might well serve as an example to other Canadian mining interests seeking capital funds in this country.

The market during the past week gave a repetition of its previous inactivity and lack of interest. Turnover was negligible and prices mostly unchanged although Albertas continued to attract some demand after their recent decline. Internals were dull and free funds were slightly easier at 9 11/16%, and the announcement of a simplification of the Canadian regulations governing the movement of securities across the border had no noticeable effect. It is possible that this relaxation of control affecting externals in particular might subsequently be extended to the restrictions governing the export and import of internal securities.

With regard to future prospects, there is every reason to anticipate, with the termination of the holiday doldrums, that a resumption of general investment demand will favorably affect the Canadian market.

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CANADIAN SECURITIES
Government • Provincial • Municipal • Corporate

Wages to Go Up but Not Prices, Says Davis

(Continued from page 1043)

Mr. Davis contended that even with higher wages in most instances, there will be no need for higher prices, as the additional wage payments could be absorbed in the process of getting goods to the consumer. Wages were but one factor in costs of operation, though he admitted that in some lines it was more important in fixing prices than in others. Mr. Davis' theory evidently is that in view of expansion of output, most industries can absorb higher wage costs without increasing prices.

To Abandon Compulsory Arbitration

Turning to the question of settling post-war labor disputes, the Stabilization Director announced that after the liquidation of the War Labor Board, there would be no effort to continue compulsory arbitration, and that voluntary conciliation and settlement of disputes should be worked out under a new formula, possibly one that will be recommended by the forthcoming conference of representatives of labor, management and government. He advocated that labor agreements should contain a no-strike, no-lockout pledge. He urged the use of established mechanisms for the voluntary settlement of labor disputes. As a means of accomplishing this, he suggested a procedure which has been summarized by the Associated Press as:

1. Bi-partisan mediation by employer and employes, with others in the industry called into help reach a settlement.
2. If that fails, bring a public spirited citizen from the community into the picture.
3. After that, try the United States Conciliation Service, which should be greatly strengthened.
4. Voluntary arbitration of clearly defined issues in disagreement.
5. In cases which cannot be settled by any of the foregoing steps, some substitute for the National War Labor Board should be created as a result of the labor-management conference. This substitute might follow the pattern of the Railway Labor Act, which provides for special boards to make advisory findings which are publicly aired.

N. Y. Finance Institute Announces Fall Term

The fall term of the New York Institute of Finance, 20 Broad Street, New York City, will begin on Sept. 17. Registration for classes, all of which are open to the public, began on Sept. 4.

Courses offered this term, are:

Accounting Principles; instructor: Jerome J. Kern, Seidman & Seidman.

Federal Income Tax Practice; instructor: Charles Meyer, C.P.A. and Attorney, lecturer on law of taxation at Rutgers University.

Practical Spanish; instructor: Eduardo V. Moore.

Security Analysis; instructors: Herman J. Borneman, New York Stock Exchange; and Stephen M. Jaquith, Investors Counsel, Inc.

Introduction to Financial Statement Analysis; instructor: Andrew F. Lynch, Abraham & Co.

Investment Account Management; instructor: Stephen M. Jaquith.

Analysis of Public Utility Holding Company Securities; instructor: W. Truslow Hyde, Jr., Josephthal & Co.

Analysis of Public Utility Operating Company Securities; instructor: Charles A. O'Neil, R. W. Pressprich & Co.

Analysis of Railroad Securities; instructor: Pierre R. Bretey, Baker, Weeks & Harden.

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3¾% First Mortgage Bonds
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Current Developments in Utilities; instructor: Harold H. Young, Eastman, Dillon & Co.

Current Developments in Railroads; instructor: Patrick B. McGinnis, Pflugfelder, Bampton & Rust.

Work of the Stock Exchange and Brokerage Office Procedure; instructor: John H. Schwieger, New York Stock Exchange.

Work of the Order Department; instructor: Fred W. Hansen, Pershing & Co.

Work of the Margin Department; instructor: Paul C. Fitzgerald, Hirsch & Co.

Work of the P. & S. Department; instructor: F. Warren Green, Hallgarten & Co.

Work of the Cashier's Department; instructor: George E. Rieber, NASD.

Brokerage Accounting; instructor: David Krell, Thomson & McKinnon.

Brokerage Law; instructor: Irwin A. Brodsky, legal advisor, J. & W. Seligman & Co.

Advanced Margin Problems; instructor: Paul C. Fitzgerald, Hirsch & Co.

Thomas and Frankel Join Fairman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harold C. Frankel and Clifford P. Thomas have become affiliated with Fairman & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Frankel was previously Los Angeles manager for Walston, Hoffman & Goodwin and prior thereto was trading manager in Los Angeles for H. R. Baker & Co., with which firms Mr. Thomas was also connected.

Joe B. Warren to Manage Rupe Dept.

DALLAS, TEX.—Joe B. Warren has joined Dallas Rupe & Son, Kirby Building, investment bankers, as manager of the municipal bond department.

Mr. Warren was for 19 years engaged in the origination and distribution of Texas municipal securities, in Dallas and in Wichita Falls, prior to World War II, in which he served as a captain in the United States Marine Corps, with the Fifth Marine Division in the Pacific.

No Conflict With Free Enterprise In Full Employment Bill

(Continued from page 1042)

assuring opportunity of employment to all who are able and willing to work.

Private Business Basic Source of Jobs

I am supporting the Full Employment Bill also because I believe—and the Bill asserts—that private business must be the basic source of jobs in the American economy; because I believe in the preservation of our free enterprise system, in the operation of a free market and in the freedom of choice for producers, consumers, investors and labor. I do not believe in the guarantee by the government of specific jobs for specific individuals; I do not believe in wasteful methods of production, in made work, or in the suppression of economic advance; I do not believe in putting government into business in competition with private enterprise; and I do not believe in the regimentation of private business.

It is fitting, with the conclusion of the world's terrible ordeal and at a time of specific obligation to returning veterans and displaced war workers, that the Federal Government recognize its solemn responsibility for assuring full employment to its citizens. This responsibility involves more than a responsibility to assure opportunity for jobs to labor. It also means full use of our resources; it means opportunity for full production, a high volume of sales and profitable investment. As Secretary of Commerce, I am particularly mindful of these relationships because in the free enterprise system, it is vital that the Government assure opportunity to the job maker as well as the job seeker.

Full Employment and Free Enterprise

The fact that all elements of our economic system are interdependent and rise and fall together in the business cycle is crystal clear from these charts. They show that business has a tremendous stake in full employment. With our entire economy in high gear every industry can have a volume of production substantially above its 1940 level of output. Furthermore, there is an inevitable relationship between corporation profits and total production. When there is mass unemployment our corporations as a whole show huge losses. Profits are good only when employment and production are high. This has held true in war as it always has in peace.

I endorse the Full Employment Bill particularly because it embodies the only known means by which the right of the workers, the businessman, and the farmer to prosper in a climate of full opportunity can be assured within the framework of the free enterprise system. All other proposals that have been brought forward would either not give that assurance or would tend to undermine the freedom of enterprise.

The free enterprise system, as we know it, has produced for us the highest standard of living ever achieved by any nation or any system. But periodic shocks, such as that of the depression thirties, have recurrently brought tremendous business as well as social loss. The prevention of these recurrent shocks is essential to the preservation and extension of the economic freedoms on which the American people are agreed.

The possibility that the difficult reconversion period will be followed by a temporary post-war boom should not blind us to the urgency of the problem. Such a boom will be followed by depression unless we are prepared with effective action. Our ability to achieve full production and employment promptly, to prevent post-war economic collapse and to establish the conditions for an ever-increasing standard of living, will be regarded by the American people and the world as the critical test of our free enterprise system. In this test lies the challenge to our democracy; namely, how to get full production **and** preserve our economic freedom.

The Role of Business

Business management must necessarily play a vital role in a full employment and full production program. The bulk of the jobs will be provided and most of the goods and services will be produced by private enterprise. The attainment of a full employment national output, which even in physical quantities is almost double the 1935-39 average, depends on the ability of individual businessmen to capitalize on the opportunities for sound expansion —to put more people to work producing more goods and services wherever markets can be found.

Our post-war productive capacity holds the possibility of a 50% increase in the American standard of living. That increase will not happen automatically. It will occur only as individual businessmen visualize the potential expansion of the markets for their products; gauge correctly the latent wants of consumers; develop new products, or new markets for old ones; improve production methods so that they can afford to pay high wages and still price their output for mass distribution and mass consumption; and unremittingly improve their distribution methods and their efforts to make their products more attractive to the consumers.

Business recognizes this obligation. It has set its sights on a volume of production well above the best pre-war year. It has planned boldly for the shift from war production to a high peacetime output and is going ahead with those plans. Through local organizations, it is studying the problems and possibilities of individual communities and helping to plan the development of those communities. Far-sighted business leaders are already looking ahead to the problem of filling the gaps in their particular markets when there are no longer any deferred demands.

But business management should not be saddled with the responsibility for maintaining full employment. Within the limits of competition, and of the profit and loss statement, the individual business can often take effective action to stabilize its own employment and output. It may be able to plan its expansion and modernization so that these outlays are not crowded into the last stage of a boom period, thereby adding to the cyclical swing. No individual firm, however, should be expected to employ people producing goods or services for which it cannot find a market at a reasonable price. That assurance of adequate market opportunity, which is essential to full production and employment is the responsibility of all the people, including business management, acting through their chosen representatives in government.

I urge that government policy and program be framed in such a manner as to maintain and strengthen private business as the basic source of actual jobs, incomes, production and investment, and I see no conflict with this objective in the Full Employment Bill. The government must take the lead in the adoption of such measures, but business cannot support them wholeheartedly unless it does have confidence and assurance in their success.

Now, if we do assure an economic climate in which business can feel confidence in a continued high level of production, sales and employment, I believe business will find itself set free to cooperate in measures to which it could not consent under the previous conditions of recurrent rise and fall in prosperity levels.

Responsibility for Full Employment

The fundamental feature of the Full Employment Bill is the recognition of the responsibility of government to assure opportunity for full production and full employment. There is today almost universal agreement on the necessity of government action when disastrous deflation threatens our economic system. The issue before this Committee and the Congress is not whether the Government should do anything to mitigate depression. The issue rather is: Shall the government act merely to prevent mass unemployment or shall it strive to maintain full production and full employment? I want to urge emphatically that the goal of this Bill be kept as it is—assuring the opportunities for full employment—and that it not be watered down to the prevention of mass unemployment, the promotion of high levels of employment or any other ambiguous compromise.

Of course, the idea of full employment does not mean the total absence of unemployment. There is always an inevitable amount of frictional unemployment. Even during the inflationary period of wartime, when we had more than full employment, there were some unemployed and there will undoubtedly be more unavoidable unemployment in the post-war period. Furthermore, setting our goal at full employment does not mean that we expect perfection in achieving it. With a dynamic economy such as ours there will always be changes in products and in markets that will necessitate some fluctuations in economic activity. But if we recognize full employment as our goal it means that we shall be vigilant in watching these fluctuations and prompt to take action to counteract them. The alternative would be a wait-and-see attitude which would allow deflation to gain impetus and to spiral.

Faced with a shrinking total market demand, private business under a competitive system cannot act collectively to maintain high levels of production and employment. Individual enterprise, labor, the farmer, the consumer—these groups are all helpless in the face of shrinking markets and the spiral of deflation. Only the government, the agent of all the people, and of all the elements of the economy, can under these conditions take the measures necessary to sustain the level of sales so as to make it profitable for private enterprise to continue to produce at high levels of production.

Exercising Government Powers

The Full Employment Bill contemplates that the normal functions of government would be exercised on a continuing basis in a manner to stimulate private consumption and investment, so as to produce a climate of fullest opportunity for private enterprise to maintain and increase levels of production and employment. This long-run function has frequently been overlooked in public discussion of this bill, but it is a basic part of its provisions and should be fully understood.

Public attention has been largely centered on the short-run provisions of the bill; namely, those which call for government expenditure programs to make up a deficiency in market demand and prevent deflation when other measures fail. Because of this provision in the Bill, it has been characterized by some as nothing more than a spending bill. This is not the case.

The Bill is very specific in directing both the President and the Congress to utilize all other means at the disposal of the government in an effort to keep the stream of private consumption and investment expenditures at the full employment level before resorting to the use of government financial resources. It must be recognized, however, that these other methods will not always be sufficiently effective or sufficiently quick-acting to prevent a deflationary spiral from getting under way. Under such circumstances, it is only the assurance that the government will use its financial power to prevent shrinking markets that will induce business to continue to produce at full employment levels. Without this assurance and without government implementation of it, we are sure to see the familiar spectacle of inventory liquidation, cutthroat competition, stoppage of investment, pro-

(Continued on page 1057)

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

The five largest commercial banks in New York City, as measured by deposits, are, in the order of their respective sizes: Chase National, National City, Guaranty Trust, Manufacturers Trust and Central Hanover Bank & Trust Company. Now that victory has been achieved and peace won, it may be of interest to survey, statistically, the financial changes that have taken place in these institutions during the war years, as revealed by their balance sheets and annual reports.

We therefore present this week significant year-end figures for 1944 compared with 1940, and also 1945 mid-year figures, for each of the five institutions. These are given in such form that comparisons may readily be made. The earnings stated are net operating earnings exclusive of security profits. Current ratios shown are based on the Aug. 28th published asked prices, on 1945 mid-year book-values and earning assets, and on 1944 net operating profits.

CHASE NATIONAL BANK

	1940	1944	% Increase	June 30, '45
Capital	$100,270,000	$111,000,000	10.7	$111,000,000
Surplus & undivided profits	136,482,000	173,800,000	27.3	181,301,000
Deposits	3,543,338,000	4,835,219,000	36.5	4,952,627,000
U. S. Government securities	1,098,108,000	2,899,834,000	164.1	2,900,026,000
Per share—	$	$	%	$
Book value	31.99	38.49	20.3	39.50
Earning assets	287.23	572.65	99.4	592.19
Net earnings	1.83	2.54	38.8	(6 m) 1.71
Dividend rate	1.40	1.40	----	1.40
Market high and low (bid)	37-24¾	45¼-35¼	----	----

Current Market and Ratios—41½ bid, 43½ asked; dividend yield, 3.2%; earning yield, 5.8%; book value per dollar of market, $0.91; earning assets per dollar of market, $13.61.

NATIONAL CITY BANK

	1940	1944	% Increase	June 30, '45
Capital	$77,500,000	$77,500,000	----	$77,500,000
Surplus & undivided profits	80,276,000	151,110,000	88.2	158,295,000
Deposits	2,908,438,000	4,205,072,000	44.6	4,503,104,000
U. S. Government securities	860,974,000	2,409,240,000	179.8	2,644,844,000
Per share—	$	$	%	$
Book value	29.50	41.12	39.4	42.20
Earning assets	277.63	603.90	117.5	656.45
Net earnings	1.98	2.66	34.4	(6 m) 1.90
Dividend rate	1.00	1.00	----	1.30
Market high and low (bid)	30-21	45¼-33⅞	----	----

Current Market and Ratios—44 bid, 46 asked; Dividend yield, 2.8%; earning yield, 5.8%; book value per dollar of market, $0.92; earning assets per dollar of market, $14.27.

Note—Book value and earnings include City Bank Farmers Trust.

GUARANTY TRUST

	1940	1944	% Increase	June 30, '45
Capital	$90,000,000	$90,000,000	----	$90,000,000
Surplus & undivided profits	186,946,000	212,223,000	13.5	217,374,000
Deposits	2,389,929,000	3,432,888,000	43.6	3,469,405,000
U. S. Government securities	1,137,213,000	2,362,481,000	107.7	2,143,853,000
Per share—	$	$	%	$
Book value	307.72	335.80	9.1	341.53
Earning assets	1,845.50	3,656.71	98.1	3,703.59
Net earnings	14.11	20.35	44.2	(6 m) 11.72
Dividend rate	12.00	12.00	----	12.00
Market high and low (bid)	301-224	359-302	----	----

Current Market and Ratios—343 bid, 351 asked; dividend yield, 3.4%; earning yield, 5.8%; book value per dollar of market, $0.97; earning assets per dollar of market, $10.55.

MANUFACTURERS TRUST

	1940	1944	% Increase	June 30, '45
Capital—Common	$32,998,00	$32,998,000	----	$32,998,000
Preferred	8,750,000	8,010,000	—8.5	7,710,000
Surplus & undivided profits	40,987,000	52,604,000	28.3	55,103,000
Deposits	953,709,000	1,991,382,000	108.8	2,145,421,000
U. S. Government securities	326,449,000	1,205,104,000	269.2	1,324,909,000
Per share (common)—	$	$	%	$
Book value	36.89	44.60	20.9	46.39
Earning assets	341.00	871.36	155.5	994.61
Net earnings	3.71	6.33	70.6	(6 m) 2.79
Dividend rate	2.00	2.00	----	2.00
Market high and low (bid)	40⅞-27¼	56-45¼	----	----

Current Market and Ratios—59⅞ bid, 60⅞ asked; dividend yield, 3.3%; earning yield, 10.4%; book value per dollar of market, $0.76; earning assets per dollar of market, $16.34.

CENTRAL HANOVER BANK & TRUST CO.

	1940	1944	% Increase	June 30, '45
Capital	$21,000,000	$21,000,000	----	$21,000,000
Surplus & undivided profits	75,104,000	89,610,000	19.3	90,262,000
Deposits	1,294,308,000	1,800,910,000	39.1	1,896,739,000
U. S. Government securities	390,224,000	1,166,189,000	198.9	1,167,209,000
Per share—	$	$	%	$
Book value	91.53	104.96	14.7	105.96
Earning assets	628.82	1,532.26	143.7	1,631.44
Net earnings	5.77	7.43	28.8	(6 m) 3.00
Dividend rate	4.00	4.00	----	4.00
Market high and low (bid)	106½-76½	110¼-95¼	----	----

Current Market and Ratios—113¼ bid, 116¼ asked; dividend, 3.4%; earning yield, 6.4%; book value per dollar of market, $0.91; earning assets per dollar of market, $14.03.

It will be observed that Manufacturers Trust experienced maximum expansion in Government securities, earning assets and deposits. It is not surprising, therefore, to find that it also shows the greatest improvement in net operating profits. National City registers the greatest gain in reported book-value, and Guaranty Trust the smallest.

The upward trend in assets, book-values and earnings is now in its seventh year. Inasmuch as Federal deficits are expected to continue for a few years, it is logical to expect that the banks will continue to assist in their financing. Consequently, the upward trend in the aforementioned items should, due to this fact alone, be maintained for some time. Coupled with this, however, is the additional prospect of a growing demand for commercial credit to finance the needs of business and industry in the post-war years, when our peacetime economy will doubtless be vigorously expanding.

Barring the possibility of discriminating legislation against commercial banks, which appears most unlikely, commercial banking seems to be entering a period of peacetime prosperity.

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Tomorrow's Markets Walter Whyte Says—

(Continued from page 1046)

tion it doesn't look as if they (stocks) will go into a decline, even a temporary one, from here," doesn't make too much sense. It presupposes a period of backing and filling, accompanied by dullness, in order to come within the 30 to 90 days. It is entirely possible that such action will be witnessed. But if it is, it means that a reaction will have to take place somewhere within those days.

* * *

Ordinarily a reaction after a 10 point advance is nothing to get excited about. Even with a 50% decline the result would still be a five point advance from the lows. But these are not ordinary times nor are these ordinary markets. First of all we have a situation where margins are high, or practically non-existent. This in turn makes every move an exaggerated one. Stocks which ordinarily move like senile Percherons now act like skittish high spirited colts. This is very nice when they are going up and you're long. It is far from that when they start going down. Volatility and thin markets are most dangerous on the down side if for no other reason than most people (if they're in the market at all) are usually long.

* * *

So, while market action up to the time of this writing still points to the 180 Dow industrial figure, the time element should be dropped.

* * *

The important thing is to determine what the 180 figure will mean in the stocks you are currently long of. Your position is as follows:

A. M. Byers bought at 19, stop at 16, is now about 19¾. Using a scale projection Byers should be able to reach 21-23 before it has trouble.

Jones & Laughlin bought at 35, stop 33, is now about 38. Projecting it, in conformity with 180 in the averages, should bring it to about 41 to 43.

Paramount bought at 30½, stop 28½, is now about 33. Somewhere across 35 stock should run into offerings.

U. S. Steel bought at 56, stop 65, is now selling for about 71. From 74 up to 77 it looks as if it will have difficulty.

The last one in the list is White Motors, bought at 29½, stop 28, and now about 34. Like the others this one too hasn't clear sailing from here. Beginning at 35 it will feel the pinch of selling.

* * *

Whether or not any or all of the above stocks will show enough spirit to absorb the expected selling and go on to higher levels is too early to say. It is doubtful if they can display enough independence if the market as a whole starts bending over. The best they can do under such circumstances is either to turn dull or decline less percentage-wise than the rest of the market. From a long term angle either of such performances can be ignored. From a trading angle nothing which brings about a check in an advance can be shunted aside. As a matter of policy I think even the long termers would be wiser to pay more attention to intermediate fluctuations. For not all minor trend reversals are meaningless. And in times like these they can well be loaded with significance.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Royal Bank of Scotland
Incorporated by Royal Charter 1727
HEAD OFFICE—Edinburgh
Branches throughout Scotland
LONDON OFFICES:
3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
£115,681,681
Associated Banks:
Williams Deacon's Bank, Ltd.
Glyn Mills & Co.

Australia and New Zealand
BANK OF
NEW SOUTH WALES
(ESTABLISHED 1817)
Paid-Up Capital ---------- £8,780,000
Reserve Fund ---------- 6,150,000
Reserve Liability of Prop.. 8,780,000
£23,710,000
Aggregate Assets 30th Sept., 1944 ---------- £208,627,093
THOMAS BAKER HEFFER,
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LONDON OFFICES:
29 Threadneedle Street, E. C. 2
47 Berkeley Square, W. 1
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Head Office Cairo
Commercial Register No. 1 Cairo
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Paid-Up Capital ---- £2,000,000
Reserve Fund ---- £2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

No Conflict With Free Enterprise In Full Employment Bill

(Continued from page 1055)

grams, mounting unemployment, and farm foreclosures whenever deflationary forces are unloosed.

I want to emphasize that while this pledge of financial support is essential to the Full Employment Bill, I do not believe it should or will have to be used continuously. The means by which we must maintain full employment and full production in our economic system is to preserve the golden mean in the distribution of purchasing power so that business has both the incentive and the funds for profitable investment, while, at the same time, the mass of consumers have the purchasing power to buy the goods that industry produces. This can be achieved only by an adequate level of wages which keeps pace with rising productivity. Mass purchasing power must be sufficient to allow full utilization of productive capacity without dependence on an unduly large volume of investment which cannot be sustained. Over - investment relative to consumption, such as we experienced in the late 20s, will inevitably lead to the spiral of depression. The key to sustained prosperity lies in mass consumption, mass distribution and mass production. This is nothing new to business. In fact, it was Henry Ford, one of our greatest businessmen, who led the industrial world in the drive for higher wages, lower prices and mass markets.

Intelligent Planning versus Planned Economy

The full Employment Bill does not call for a "planned economy." As I have publicly stated, I am against a "planned economy" but I am for intelligent planning to keep our American economic system competitively free and vigorous. I agree with Senator Taft that "someone should be doing the job of studying and collecting the facts so that we can have intelligent planning." The Full Employment Bill would provide a mechanism for using the combined intelligence of the nation to increase the efficiency of both individual enterprises and of government policy and action. The suggested national budget procedure is an effective way of developing the factual information necessary to promote full production and full employment under the American system of private enterprise.

Particularly desirable is the coordinating procedure outlined for the Congress and the Executive establishments. The Federal Government, throughout its history, has dealt with problems affecting the eoconmy as a whole, but sufficient provision has never been made to ensure that the various measures taken were integrated and consistent. The vastness of our Federal establishment and the multitude of problems confronting the Congress have made it difficult for either the Executive or Legislative branch of the Government to obtain a balanced overall view of the total economic effects of Federal policies.

The organization and procedures outlined in the Full Employment Bill for the preparation of the National Budget and the quarterly reports on the economic situation would provide the mechanism for bringing about the needed coordination and consistency. The work of the various executive departments that has bearing on full employment would be better integrated. So would, through the creation of the Joint Committee on the National Budget, the work of the various Congressional Committees that deal with economic problems which have overall implications. Just as important, the organizational background would be set for efficient cooperation between the Executive and the Legislative branches of the Federal Government in the formulation of these key economic policies and programs.

Action Under the Full Employment Bill

This Bill is only a first step in assuring post-war prosperity. It would not automatically bring about full production and full employment in the United States. Effective action to apply the principles of the Full Employment Bill is necessary to accomplish this objective.

This is recognized both by the Executive and Legislative branches of the government. President Truman's legislative program, designed to deal with urgent problems of reconversion but with due consideration of the problems of our post-war economy, contains important measures for attaining the objective of full production and full employment. So do the proposals of Senators Kilgore and Pepper speaking for a number of their colleagues.

The American people do not expect perfection in our initial efforts in the war against unemployment and depression. But I do believe that they expect the government to act vigorously, now, to assure full production and full employment.

We stand at the crossroads of our history. It has taken the most terrible of all wars to prove to us that the cooperative efforts of American business, agriculture, labor, and government in winning the war could meet the challenge of full production and full employment. We must not enter the era of atomic energy without recognizing that continued cooperation of business, agriculture, labor and government is imperative to meet the challenge of full production and full employment in peace.

There are, of course, alternative methods of achieving full production and full employment. The totalitarian road and the road of a controlled economy are not the roads chosen by the American people. The Full Employment Bill maps out a road toward economic security and progress in keeping with American traditions and American ideals. It represents the conservative way of attaining full production and full employment. This is so because it imposes no direct controls, and does not contemplate interference with industry's function of developing its own potentialities. It specifically leaves the ownership, direction and control of the production and distribution system completely in the hands of private enterprise and relies for its effectiveness upon providing a climate in which it will be profitable for business to maintain a full employment volume of production. It rests on the promise that if the market for business is maintained, business itself will provide employment opportunities for the workers of the nation.

We cannot afford a do-nothing policy on the part of the government because that would inevitably lead once again to recurring depressions. The only alternative to the Full Employment Bill is a planned economy which imposes specific controls on the production and distribution methods of business. This alternative obviously would mean the end of the free enterprise system.

I earnestly hope that the American people will choose the conservative course between these two alternatives, and I support the Full Employment Bill because it would set us firmly on that course.

Labor's Post-War Program

(Continued from page 1043)

industrial spirit, which he regarded as the "great vital force of the nation." He asked that Labor Day be dedicated "to peace, civilization and the triumphs of industry."

Standing beside Peter J. McGuire's grave, fifty-one years after Congress declared Labor Day a national holiday, we can find inspiration for our own future in that dedication.

For America has just won a war against war and is even now striving to forge a union of nations for the preservation of world peace.

Our country holds in its hands a secret force which can destroy all civilization if war ever again afflicts mankind, but we hope and pray that atomic power will be employed by the arts of science to lighten the burdens of humanity and usher in a new and brighter era of civilization.

The triumphs of industry which we have glorified in the past will fade into insignificance if we but capture the opportunities for peaceful expansion and development which now present themselves. We stand at the threshold of a new industrial revolution, perhaps more sweeping in its effects than the advent of the machine age and electric power. Even in our own day and with existing facilities, we can and we must raise American standards of living by at least 50%. Let us proclaim our determination on this Labor Day to achieve that immediate goal.

I know there are prophets of gloom who see nothing but discouragement and failure ahead. They point to the undeniable fact that America was not prepared for peace, that reconversion is proceeding too slowly, that unemployment may reach the alarming total of seven or eight million by next Spring and that Congress has not taken any steps to provide for human needs during the transition period from war to peace. On the basis of these adverse conditions, they foresee a major post-war depression.

The American Federation of Labor does not share these pessimistic views. We do not believe in crying "Fire!" in a crowded theater. We do not intend to stampede the nation into panic.

On the contrary, we have faith in America and the American people. When danger threatens, it is not the time to quit. It is the time to rally and work and fight for what we want and believe in. Just as we won the war, we will win the peace. Let that be our challenge to the future! Let us remember the inspired words of Franklin D. Roosevelt back in 1932—"we have nothing to fear but fear itself." American labor will not be overcome by fear now!

The seven million members of the Americn Federation of Labor, a confident, resolute and closely-knit army of workers, have set their faces forward and are marching ahead in solid phalanx for the achievement of labor's own program which will lift the nation out of its present, temporary difficulties and establish a progressive and prosperous post-war economy in America.

First of all, we call upon private industry in America to speed up the reconversion process and we urge the Government to give reconversion the highest priority. If that is done, as it must be done, transitional unemployment will be held to a minimum and will be of brief duration. The tremendous backlog of unfilled orders for the things the American people need and were unable to obtain during wartime should soon bring about wide expansion of peacetime production and provide a plentiful supply of jobs.

At the same time, in order to keep production going at high levels and to provide a market for consumption to match it, the unions affiliated with the American Federation of Labor intend to seek immediate increases in wage rates. Such action is necessary to fortify the purchasing power of the American people, which was weakened by increased living costs, by the wartime wage freeze and by postwar losses of overtime pay and incentive bonuses. There is no better market for American industry than the full pay envelope of the great masses of American workers.

Third, in order to restore collective bargaining and establish peaceful and stable labor-management relations, the American Federation of Labor intends to seek a national accord with industry at a conference to be called by President Truman in the next few weeks.

Fourth, as soon as conditions settle down and we are able to take stock of the nation's long-range needs, the American Federation of Labor is determined to resume its drive for the shorter work week, which will spread available employment and give the nation's workers and their families the opportunities for healthful recreation and education which our modern civilization affords.

Fifth, The American Federation of Labor will exert all its influence when Congress returns from its vacation tomorrow, for the enactment of a "must" legislative program which we drafted and for which we have received the hearty endorsement of President Truman and all forward-looking national leaders.

This legislative program calls for the immediate passage of the Kilgore Bill broadening the coverage of unemployment insurance and supplementing the inadequate compensation now offered by the States with Federal funds to provide as much as $25 a week for at least 26 weeks in any one year. Such a law is vitally necessary to tide over workers who have lost their war jobs until new peacetime employment is available.

Another point in our legislative program is the Full Employment Bill, which would set up an annual, national job budget, provide encouragement to business to meet that budget and obligate the Government to stimulate employment through useful and necessary public works if private industry falls short of the goal.

Also, we demand immediate adoption of the Wagner Postwar Housing Bill, which would create millions of new jobs through a 10-year program of urgently needed home construction to be carried on almost entirely by private initiative.

To correct substandard conditions which are a blight on the national economy, the American Federation of Labor calls upon

(Continued on page 1059)

This announcement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

60,000 Shares

Colonial Stores Incorporated

Cumulative Preferred Stock, 4% Series

Par Value $50 per Share

Price $50 Per Share

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52,478 of these shares are being offered by the Company in exchange, on a share for share basis (with a cash adjustment), to holders of its outstanding 5% Cumulative Preferred Stock, Series A, as set forth in the Prospectus. The remaining 7,522 shares and the unexchanged shares will be purchased by the several underwriters.

Copies of the Prospectus may be obtained from only such of the undersigned as are qualified to act as dealers in securities in this State.

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September 4, 1945.

Full Employment—Wages and Democracy

(Continued from first page)

ready potentially existent, and against the ill-effects of the full employment dogma.

Something good may come out of the discussions around the full employment bill. It **may** force us to think through thoroughly the problem of unemployment within the framework of a free enterprise system. I have repeatedly stated that a correct diagnosis of the 1929 depression and of the developments in the 1920's is of paramount importance for the direction of our minds and actions in the future. I was glad to find the same statement made recently in Beveridge's book, "Full Employment in a Free Society", in Torborgh's book, "The Bogey of Economic Maturity", and in the last edition of Charles Rist's book, "History of Economic Doctrines".

In my essay on the consequences of Lord Keynes' theories, I have stated that "the great depression has engulfed the gold standard". I was gratified to discover in an article published in the Aug 11 issue of the "Economist" bearing the title, "US Employment Prospects", the statement: "The great depression broke the gold standard." Thus, I believe it becomes more and more to be admitted that the gold standards is to be exonerated for responsibility among the causes of the great depression. Mr. George Torborgh, in the above mentioned book, has exploded the theory that economic maturity was the cause of the great depression.

What then happened in the 1920's and why was the 1929 depression so profound and prolonged? The answer is, as I have endeavored to show elsewhere, that in the 1920's, a misdirected policy of credit expansion delayed readjustments which had become necessary because of the end of the war and the end of issuing paper money. This expansion of credit sustained a high level of prices and certain wages, which we had inherited from the war. When the credit expansion had to be stopped (in 1929), American economy remained permeated with the disequilibrium (lack of balance between various sections of the country), which has not been corrected and has only been concealed from us by the credit inflation made necessary by World War II. At the root of this disequilibrium, is a wrong wage policy, or a lack of wage policy.

It is within our power to muster money and credit. But have we a wage policy? Do we know what kind of wage policy we ought to have? Is it possible within the democratic framework to have a wage policy conducive to a high level of employment? The importance of these questions and the difficulty of solving the problems related thereto become clear when we discover that one of the outstanding defenders of economic liberalism, Mr. Ludwig von Mises, and one of the apostles of the full employment dogma, Sir William Beveridge, agree that the functioning of the system which has their personal preference, depends, in both systems, on the enlightened behavior of labor. In view of the importance of the wage policy, I wish to give a few short quotations from the writings of the representative protagonists of the two opposed schools of thought.

Mr. Ludwig von Mises stated in an address before the American Academy of Political and Social Science at Philadelphia: "One must convince the workers that the traditional union policies do not serve the interests of all, but only those of one group. . . . What is needed is not to throw dust into the eyes of the workers, but to convince them. They themselves must realize that the traditional union methods do not serve their interests. They themselves must abandon, of their own accord, the policies that harm both them and all other people." Mr. Mises' address attempted to make clear that unless the unions adopt a flexible and intelligent wage rate policy, unemployment can be avoided only through tremendous credit expansion.

Listen now to Sir William Beveridge (quoted from his book, "Full Employment in a Free Society"): "There is a real danger that sectional wage bargaining, pursued without regard to its effects upon prices, may lead to a vicious spiral of inflation with money wages chasing prices, and without any gain in real wages for the working classes as a whole. . . . To deal with this problem . . . a central organization of labor should devote their attention to the problem of achieving a unified wage policy which insures that the demands of individual unions will be judged with reference to the economic situation as a whole."

These two statements throw a vivid light on the nature of the problem with which we are confronted.

* * *

It is my firm belief that the Murray bill, or some modified form of it, will be adopted by Congress. As mentioned before, it is my contention that the dangers inherent in the bill are already potentially operative, and in point of fact, have been ever since the end of World War I. The full employment bill will add some additional dangers to the free enterprise system, arising from the mechanism of the bill, and from the feeling that the Government is omnipotent in curing unemployment in a free enterprise system.

If my assumption that a full employment bill will be adopted is correct, then I think our efforts should be directed towards providing safeguards against its ill-effects, rather than fighting the bill. By so doing, the full employment bill may prove, in the long run, a blessing in disguise, because, to repeat again, we are already confronted with most of the dangers inherent in the bill.

Those who still doubt that we are moving into further social and economic experimentations, and that, willy-nilly, we shall have to give a test to the full employment theory, are asked to reflect upon their own answer to the following simple questions: "If we were again to have 10 to 15 million unemployed, what would be the attitude of the people and of the Government?" Unless I am grossly mistaken, the answer is obvious. The pressure on the politicians would be so great that they would move very far and very fast . . . and probably in the wrong direction. It is wiser to be ready for such an emergency and forestall the taking of hasty measures under the impulse of events and public clamor.

Besides, this issue has an international aspect which has been brought forth by Secretary Byrnes. The British hold the view that the impediment to international economic cooperation is the policy or impolicy of the United States. More specifically, the British ask how they can tie their money and economy to an economy (that of the United States) whose prospects of stability are uncertain. More bluntly stated, the British are afraid that the lack of equilibrium of the American economy will bring about another great depression. This explains the whole-hearted endorsement of Secretary Byrnes to the full employment bill, which is purported to be able to remedy the violent fluctuations in business in the United States.

There is little doubt, however, that the full employment dogma (as presently formulated by its protagonists) embodies serious perils to democracy and our liberties. I shall discuss further on the source and nature of these dangers, and some tentative remedies. It is admitted by the very friends of the full employment dogma that it carries with it dangers of inflation and threats to our freedom. What then should be our attitude towards this vital question? Everyone is in favor of a high level of employment. The disagreement arises only on account of the means. And on the answer to this question depends whether or not we shall save democracy.

The consequences of what we do or what we fail to do are incalculable. I suggest that the wisdom of the fathers of this republic be called to our help in tackling this problem. They, too, were confronted with issues which seemed insurmountable, and yet, by dint of thinking and effort, they found adequate solutions. I, therefore, am of the opinion that we should take a leaf out of the "Federalist", Letter 10, written by Publicus (Madison), wherein he discusses one of the greatest dangers to democracy, namely, the danger of factions. He states that liberty nourishes factions, but that the suppression of liberty would certainly not be the cure for the mischief of faction. After some other cogent arguments, he reaches the conclusion that the **causes** of factions cannot be removed, and that relief can only be sought in the means of controlling its **effects.**

Likewise it is my firm belief that the only politically practicable and sound approach to the full employment issue is to provide safeguards against its ill-effects. When we stop to think, the defense of our political and civil liberties rests mainly on the Bill of Rights.

In brief, my attitude in the full employment issue is based on the following three convictions:

(a) A full employment bill will be adopted.

(b) Even if it were not adopted, we are confronted with the causes of unemployment due to a wrong wage policy, and monetary and credit mischief.

(c) Full employment bill or no full employment bill, mass unemployment will not be tolerated.

* * *

To those who adopt towards the full employment issue an attitude of "black or white", and are inclined to reason that because it entails dangers, the only proper thing to do is not to adopt such legislation, I submit that their position disregards practical politics and social trends, and besides, is dangerous.

Difficult as it may be, we can contrive safeguards against the ill-effects of the full employment doctrine, and I offer hereafter some tentative ideas on the subject. Furthermore, I ask the defenders of free enterprise to reflect upon the political and intellectual obstacles in the defense of their ideas, sound as they may be. I shall point out some of these impediments.

(1) The Editor of the New York "Times," in an editorial published on August 5th regarding the Murray bill, states: "Such plans [to preserve private enterprise], experience shows, are usually drawn by people who have only the vaguest conception of how the private enterprise system really works. The way to preserve the private enterprise system, in fact, is not by a new plan, or a hundred new plans, but simply by permitting it to function." It is my contention that the Editor of the New York "Times" is absolutely right, but that he did not recognize all the consequences of his statement. It is a fact that very few people have a correct conception of how the private enterprise system really works. It is a further fact, I am afraid, that the very growth of democracy makes difficult the proper functioning of the economic-liberal machinery. Economic liberalism cannot function properly, except if the logic of its mechanism is properly understood and left free to work—and provided also there is a proper psychological climate. But who enjoys enough authority to teach the necessary conditions of a free enterprise system and to have his teachings accepted by everyone—or at least by the majority of the people?

Anyone who has attended a public forum between capable representative defenders of economic liberalism and of the new school (which for the sake of brevity, I shall call the "purchasing power school") has certainly been struck by the manifest handicap of the defenders of economic liberalism. Why? The answer seems to me obvious. What the defenders of the economic liberal school actually oppose to the "purchasing power school" is the doctrine of "equilibrium". Now, it is a fact that this doctrine is not understood. I have in my files a letter from a prominent professor of economics in one of the greatest American colleges, wherein he states: "I must confess that I have no comprehension whatever of exactly what the equilibrium theory is, or what it purports to illustrate or explain."

The defenders of the "purchasing power school" have simply to say: "to buy, you need money". This is a proposition which, because of its oversimplicity, and notwithstanding its speciousness, is easily understood by the "common man", as well as by theorists. The common man understands this kind of argument all the more easily as it appeals to his apparent superficial interests.

A fuller defense of the full employment issue usually runs as follows: "Unemployment and depressions are due to under-consumption and excessive savings. The amount of employment available depends on the volume of production. This, in turn, depends on the demand for goods and services. If we don't have high consumption; if we don't have a high standard of living on the part of the people, all of the tremendous productive resources of the United States will not be utilized. Therefore, high wages are essential to a full employment economy. The chief threat to full employment is the instability of private capital expenditure. When private enterprise cannot provide people with jobs, then it is up to the government to provide them through valuable useful public works."

I contend that such an argument is not easily refutable. When the defender of economic liberalism has to state his side of the argument, the poor devil is in a predicament. There is no simple explanation of the equilibrium theory. It requires much personal and serious thinking to be able to grasp it and draw the logical consequences therefrom. Moreover, these consequences are often not palatable to the common man because they may imply sacrificing immediate advantages for the sake of benefits in the future.

Even with the American intellectual, the credit of economic liberalism is low. Why? First of all, because he does not trust "capitalism" any more on account of what happened to American economy between the two world wars. (He is, in my belief, wrong on that score, because the doctrines of economic liberalism are not responsible for what happened to American economy; it would be truer to say that the unsatisfactory behavior of American and international economy is due to the disregard and the violation of the rules of economic liberalism.) Furthermore, the intellectual is not convinced that economic liberalism is the most essential safeguard against the emergence of an authoritarian state. And why should he be? Discussions among economists on the causes of depressions and unemployment serve only to confuse him and befuddle his mind to a point where he is unable to say what is right and what is wrong.

When discussing the causes of depressions and unemployment, we find some economists imputing their cause to under-consumption; others, on the contrary, impute it to inflationary spending. Some economists think that the cause of depressions is over-saving; some plead that it is under-saving. Some economists say that at the peak of a boom, we should increase discount rates; others say we should decrease them. Some economists think that the answer to the unemployment problem is low wages; others say it is high wages. Some economists attribute depressions to over-investment; some attribute it to liquid savings not being invested. If economists are unable to agree among themselves on the causes of depressions and unemployment, how can the ordinary individual or the legislator be expected to make up his mind about the proper thing to do?

It is often said that the capitalistic system needs a myth. This may be true, but what is even more important is that the necessary conditions for its proper functioning should be understood. It is obvious, however, that they are not. People are willing to defend a cause if they are able to understand it, or at least, if they think they do. It is a fact that most people have only the vaguest conception of how the free enterprise system really works.

(2) It is generally admitted that democracy cannot exist without economic liberalism, and there is much to be said in favor of the proposition that the distribution of political power produced by capitalism has made its proper functioning extremely difficult. Though I would not go so far as to say, like some, that capitalism can no longer live under democracy, it is certain that the very growth of democracy and distribution of political power make its functioning difficult.

(3) I do not profess to know what the future holds in store for us, or what the answers are to a great many problems which are confronting the world after the war. I share, however, with many others, the conviction that widespread unemployment will not be tolerated by the masses. It will be too easy for any demagogue or for anyone who does not understand the implications of the full employment issue to howl: "Must we have war to have jobs?" I am also doubtful that the common man will have any sympathy for those who advocate "sanity" in the name of sound fiscal policies —or for the sake of our liberties. There again, the masses will be inclined to accept the reasoning that if we found money to build tanks, guns, and airplanes, we ought to find money to provide post-war jobs.

* * *

Unless I am grossly mistaken, a "full employment bill" in one form or another will be adopted by practically all countries. We must therefore make sure that the provisions of these bills will not destroy the private enterprise system. To accomplish this objective, I think that both psychological and legislative means will have to be used.

If the Government is to accept new responsibilities (of a kind of which the fathers of the Constitution never dreamed), then we should also provide for whatever safeguards are politically practicable in order to make sure that we do not break beyond repair our private enterprise system, losing, at the same time, our liberties. It is furthermore obvious

to me that whatever safeguards we contrive must be democratic in their essence and understandable to the general public.

The question is whether there are such safeguards which would prove effective. I think that the means to protect the private enterprise system together with our liberties can be devised. Their effectiveness will depend on our vigilance, just as this is the condition for the preservation of the liberties guaranteed by the Bill of Rights.

To provide the proper protection for our private enterprise system and our liberties, we must have clearly in mind the nature of the dangers deriving from the assumption by the Government of its new responsibility to bring about conditions favorable to the maintenance of a high level of employment.

Taking into account the means which have been so far proposed for the Government's fulfillment of this new responsibility, I think that the sources of danger to private enterprise and our liberties can be summarized as follows:

(1) The national debt, or rather the interest on this debt (and therefore, the level of taxation) may become unbearable for the functioning of an individual enterprise system.

(2) The adjustments and readjustments of costs to prices (in particular, wages) may become not only inflexible, but practically impossible.

(3) The free market may be destroyed. (It seems to me that as long as we manage to keep a free market regulated by prices, we can be reasonably sure that the private enterprise system is functioning.)

With the above considerations in mind, I think the protection of the private enterprise system and our liberties may be secured by the following means, if the Government is to assume the responsibility of helping to create conditions favorable to a high level of employment:

Legislative Means

1. The Government should (on the advice of a body of experts) fix the maximum ratio of all taxes (whether Federal, State or municipal) to the national income. Taxes should be stable and so devised as to foster taking risks and individual enterprise.

2. The Government should relinquish its right to impose a control of exchange except in times of national emergency.

3. The Government should adopt a sound money policy and limit the liberty of credit expansion of the commercial banks.

4. The constant increment in production, technological progress, and the effect of saving concur to bring about lower costs of production. It should become a declared policy of business that the increase of efficiency be translated into lower prices because the diffusion of well-being and the increase of the standard of living of the country as a whole, is conditioned by a trend to lower and lower prices. (I ignore the aberrations in the level of prices due to purely monetary and credit conditions.) It should therefore also become a declared policy of the government that arbitration in labor disputes regarding wages should be governed by the objective of a lower trend in prices. The matter of agricultural prices may have to receive special consideration and adequate treatment.

5. In order to obtain the willing cooperation of labor in the wage policy advocated, I propose that a dividend should be distributed to the workers each time a dividend is distributed to the stockholders. The basis on which the proportion of the dividend to the workers is to be calculated is left open for discussion. The advisability of distributing a dividend to the stockholders should be left to the discretion of the management alone.

Psychological Means

1. As often as possible, the Government should through its most authoritative mouthpiece, the President, assert and reassert its conviction that democracy and liberty are not possible without private enterprise and competition. Such action (plus Number 5 of my Legislative Means above) may engender a faith in favor of economic liberalism which may become "the moral equivalent of socialism and communism".

2. The Government must declare that it is its responsibility to watch that the sovereignty of the consumer is at all times secure.

3. The Government will have to define clearly what is meant by "full employment." It is, of course, essential for the proper functioning of the competitive system that a certain reservoir of manpower be kept available. There must be competition in a private enterprise system, the motivating power of which is profit. There must be competition in labor as well as there is in capital, and in the goods produced.

4. The Government should make it clear that employment depends on profits and risk-taking by individuals and corporations. Profits, in their turn, depend a great deal on wage rates and taxes.

The implementation of the safeguards may, of course, require the creation of some new institutions.

It would be ridiculous to pretend that the above suggestions have any merit other than to indicate a possible method of a practical approach to the provision of safeguards to private enterprise and our liberties, if a full employment bill is adopted (and even if it is not adopted).

My insistence on psychological as well as legislative means may seem unusual, but the problems with which we are confronted are baffling ones. Personally, I am inclined to put as much weight on the psychological means as on the legal safeguards.

Take for instance the proposition that the preservation of our liberties is impossible without democracy, and that democracy is impossible without private enterprise and competition. Many people (paradoxically enough, mainly those who call themselves liberals) deny the proposition. The only authoritative voice I heard in this country asserting this credo with force is Dr. Nicholas Murray Butler.

The late Franklin Delano Roosevelt, in his message to Congress in 1940, I believe, stated that democracy has its roots in religion. This is another way of expressing one's faith in individualism and the dignity of the human person, but too philosophical for the general public to grasp the implication.

Take another instance. One of the great problems we shall certainly be confronted with is the rigidity of wages. By what criteria, and by whose decision is the right policy for wages to be determined in our badly functioning industrial society? The assertion of a goal of lower and lower prices may perhaps provide a guiding rule. Certain economists maintain that the private enterprise system requires for its proper functioning a slow, rising trend of prices. Personally I contest this view and I hold that the spreading of well-being and the increase of the standard of living of the whole nation can be brought about only if prices slowly but persistently show a trend to decrease.

There is perhaps no better and more appropriate conclusion to this article than Gladstone's peroration to his final appeal on the Irish Home Rule Bill in 1886:

"Think, I beseech you; think well, think wisely, think not for the moment but for the years that are to come."

Labor's Post-War Program

(Continued from page 1057)

Congress to enact pending legislation which would lift minimum wage levels immediately to a rock-bottom of 65 cents an hour and establish a 75-cent floor for hourly rates of pay in interstate industry at the end of three years.

Finally, we renew our appeals to Congress for action on the long-delayed Wagner-Murray-Dingell Bill which would bring a stronger measure of social security to the American people by broadening the coverage of old age and survivors insurance, placing unemployment compensation on a uniform, national basis and offering the humane benefits of health insurance to the great masses of our people for the first time.

It is only to be expected that Congress may balk at some of the measures in this program. We still have too many elected representatives in our law-making body who believe this is the best of all possible worlds and nothing should be done to change it. They profess to be concerned about the preservation of the free enterprise system but don't wish to lift a finger to save it. The American Federation of Labor is wedded to the free enterprise system too, for labor as well as for industry, but we regard it as a dynamic way of life, not as a static road block in the path of human progress. The American Federation of Labor's legislative program would not endanger free enterprise but would protect it from its own shortcomings.

We hope that private industry will face the facts as realistically as labor does. We hope that American businessmen will measure up to their own responsibility for preserving the free enterprise system by being truly enterprising by looking forward instead of backward. A return to the "good old days" will not satisfy the American people. **We want better days.** America has the resources, the know-how and the productive capacity to raise living standards progressively higher. Production problems have been solved. What we must do next is to master the problem of distribution. Labor points the way. By sustaining full employment at high wages, private industry can put enough purchasing power into the hands of the American people to buy the necessities and comforts of life which they need and which industry can produce. That is the only sure way private industry can save itself and the free enterprise system.

After winning a terrible war to safeguard the American way of life from external enemies, we do not believe the American people are in any mood to lose it by default to such internal enemies as hunger, unemployment and insecurity, which always provide fertile soil for revolution.

We suggest that Congress take notice of what is happening in the wake of war in Europe and in Asia. Perhaps those developments will awaken the stand-patters to a realization that the American Government must be a government with a conscience and with a responsibility for the well being of its citizens. Also, we hope that the prospect of going before the American people next year for re-election will spur Congress into favorable action now on the program advanced by the American Federation of Labor.

This is the first peacetime Labor Day in America in four years. The relief and thanksgiving we all feel, now that the devastating waste of human life and nature's resources is over, knows no bounds. Labor is entitled to celebrate the victory because the men and women of labor earned it—the hard way.

We are particularly proud of the record made by the million and a half young members of the American Federation of Labor who laid down their tools, answered their country's call and served so gloriously in our armed forces.

We can't help boasting about the many high honors and decorations of valor bestowed by a grateful nation on our fighting fellow union members and the sons of American trade-unionists.

Especially outstanding was the record made by the Seabees, made up almost entirely of American Federation of Labor building trades and metal trades members. They were the "miracle men" of this war, fighting as they worked under fire, feared by the enemy and respected by other branches of our own armed forces. Also deserving of the highest commendation were the 300,000 railroad workers, serving in special battalions, who kept munitions and supplies moving efficiently only a few miles behind our invasion armies. And let us not forget the the seamen of our merchant marine, members of the Seafarers International Union, who did not serve in uniform but risked their lives in transporting vitally

(Continued on page 1063)

This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

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Mutual Funds

Victory and Peace Are Bullish

Distributors Group, in its current Investment News, quotes some favorable press reviews covering the **Group Securities** Semi-Annual Report. These press reviews comment on the optimistic attitude of the Group Securities management toward securities prices at a time when there was considerable apprehension over the possible effect of a quick peace. Distributors Group sums up as follows:

"The Dow-Jones Industrials closed at 162.81 on July 19 and at 162.09 on July 30—respective dates on which the Group Securities Report was written and mailed to stockholders. Yesterday (Aug. 27) the Dow-Jones index closed at 171.96—a new bull market high. And many financial observers who only two weeks ago were quite pessimistic over the near-term market outlook are now beginning to see immediate prospects of higher prices for selected common stocks."

* * *

In its current issue of Industrial Machinery News, this same sponsor quotes from the Wall Street Journal to the effect that the machine tool industry now "sees at least a year of production at a rate never before reached in peacetime."

"Industrial Machinery Stocks," concludes Distributors Group, "appear to be fairly valued on the basis of current earnings and undervalued on the basis of estimated 1946 earnings."

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High Yielding Securities

National Securities & Research Corp., in a bulletin on **National Speculative Series,** draws attention to the market characteristics of high yielding securities. Charts are used to show the typical market action of various types of securities during a bull market. Whereas popular type investment stocks usually lead the advance and the great "middle class" of securities follow along with the average, high yielding securities generally lag in market appreciation but catch up fast during the later stages of a bull market.

Thus, in addition to their income attraction, high yielding securities are thought to afford better opportunities for capital appreciation during the latter part of the up-swing.

Scramble

Lord, Abbett's current Bulletin on **American Business Shares** draws attention to the new materials and new products which will make their appearance in the postwar world. A great deal has been said about the abundance of customers' dollars but, according to this sponsor, "not much word is yet around of the mad scramble for these dollars which is about to be made by American industry." While this era of "scramble" will see great diversification of products on the part of industry, good judgment, knowledge and experience will be more than ever essential to proper security selection.

Promise of Peace

"The greatest era of destruction ever known has ended and we are on the threshold of the most promising constructive era in world history. Tremendous ingenuity, energy and power are now turned to constructive purposes in supplying the greatest accumulated demand for goods and services the world has ever seen."—From **Keystone Corp.'s** current issue of Keynotes.

Super Railroad System

With an outline map of the United States, showing a "super railroad system" illustrating its front cover, a new folder from **Hugh W. Long & Co.** on the **Railroad Series** of **New York Stocks** does a good job in portraying the values currently available in selected rails. The super railroad system referred to represents the combined lines of the 12 railroads whose shares are currently owned by the Railroad Series of New York Stocks, Inc.

"If industrial companies, as expected, are going to generate enough business to make their securities attractive at present prices, the railroads are bound to get enough business to make present prices for their securities look cheap."

Visibility Low

"Investment visibility is extremely low these days," according to the Trustees of **George Putnam Fund.** They report that most of the transactions for the Fund so far in the third quarter have consisted of the sale of certain common stocks. "This represents the continuation of a policy started some months ago designed to put the Fund in a stronger defensive position during the readjustment period now directly ahead of us."

At present the Common Stock Portion represents approximately 41% of the total fund compared with 45% on June 30 and a recent high of 63% on Sept. 30 of last year. In the same period the Investment Backlog has increased to 32% from 17% a year ago.

Mutual Fund Literature

Lord, Abbett—Current issue of Abstracts. . . . **National Securities & Research Corp.**—Current issue of Investment Timing featuring "Economic Significance of British Election." . . . **Hugh W. Long & Co.**—Current issue of the New York Letter giving the portfolio holdings on all Series of **New York Stocks, Inc.** as of Aug. 17, 1945. . . . **Distributors Group**—Current issue of Aviation News and revised folder on **Aviation Shares;** current issues of Railroad News and Investment News.

• **Dividend**

Wellington Fund—A quarterly dividend of 20¢ a share payable Sept. 29, 1945 to stockholders of record Sept. 14.

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The Securities Salesman's Corner

"A Good Reputation Is More to Be Valued Than Riches or Fine Gold."

By JOHN DUTTON

It has been said so often—how priceless is a good reputation. In the business world, where man meets man and millions of contracts are consummated daily, here is the testing ground of a man's word and his character. Today, more than ever before, we buy countless services and goods of every description upon FAITH! The world is too complicated for anyone to make an individual analysis of the values which are presented before us—we buy because we have confidence in a trade mark—or in a MAN.

When we stop to think about it we realize that a good reputation comes about through the constant application of sound and constructive actions ALL THROUGH A MAN'S LIFE. You can't fool yourself—if you try it you'll lose out in the end. So many have tried the short cuts. On the surface, and for a while they get away with it—but when the going gets rough something breaks inside and the world see's only the shadow because there never was a man.

Every day that passes we build our reputation either for good or for bad. A man is diligent in his office, his employers can see it. SO CAN HIS CUSTOMERS. Another fellow is always on the go—he hustles—the world finds it out. Another man is cautious, deliberate and thorough, he might as well carry a sign on his back, his trade-mark is there and its a good one. But a man who is careless in his home, can't hide it in his business—egg stains on a vest mean more than that a dry-cleaning job is needed—they indicate a sloppy mind as well. Everything is important! To such a man success in business is assured—if it doesn't come today, or next month, or next year, it will arrive eventually. And when it arrives he won't realize it because he will still be making every act and every day **important.**

Sometimes we are prone to scoff at such an idealist, but that kind of a man doesn't consider himself an exceptional person. More than likely he has become so accustomed to doing the right thing in the right way, that his good habits are as much a part of his make up as his eyes or his hair. Several months ago we were talking business with a securities dealer in a medium-sized, western city and unconsciously this fellow sold himself to everyone in his presence, at the time he was speaking. He was talking about his advertising and his convictions, and he made one remark that told the whole story of his sincerity of purpose and revealed the pleasure he took from his work. "You know," he stated in a matter of fact voice, "I haven't got the biggest business in this town yet, but someday I want to be known as the BEST INVESTMENT MAN IN THIS CITY. I WAN'T PEOPLE TO THINK OF ME WHEN THEY THINK OF INVESTMENTS." What could be better—what kind of a man is it that's better than the man who says, "this is my job and whatever it may be I want to do it EXPERTLY?

This is the kind of thinking and doing that needs no regimentation and will brook none. This is the sort of personal creed that has made this country the finest and best place for a man to live out his life and rear his children, that has ever existed upon this earth. Such is the basis for full employment, full dinner pails, peace and prosperity. It will create more jobs than all the Bretton Woods, Full Employment bills, and schemes and dreams of so-called security that could ever be conceived.

Now that Providence has given peace back to this world, may we pray that once again the average, humble American in every walk of life will be able to say once more, "Just give me my job, what-so-ever it may be, and let me do it well." And selling stocks and bonds no less!

W. H. Saussy Joins Staff Of Varnedoe, Chisholm

SAVANNAH, GA. — William Hunter Saussy has become associated with Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building. Mr. Saussy for the past five years has been serving in the U. S. Army as lieutenant-colonel.

Garfield, Greenberger Co.

George Garfield, limited partner in Greenberger & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will become a general partner effective today and the firm name will be changed to Garfield, Greenberger & Co.

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"On the Beam"!

(Continued from page 1043)

what is right today and wrong tomorrow it will not be long before the same thing will be proposed with respect to department store clerks and those in every other line of endeavor.

The American philosophy of government calls for government by law and not government by men. If salesmen and traders in securities are engaging in practices that are inimical to the public, and Congress feels that existing laws are inadequate, then it should draft laws that would make such practices a criminal offense, and if it is not possible to phrase a law that will make it clear just what those practices are then it is better that we have no law at all.

BACK THE SECURITIES DEALERS COMMITTEE!

Paul H. Davis Group Offering $7,000,000 Celotex Corp. Issues

A financing program for the Celotex Corporation, involving new securities totaling $7,000,000, is announced today by a banking syndicate headed by Paul H. Davis & Co., and includes offerings of $5,000,000 of fifteen-year 3¼% debentures due in 1960, and 100,000 shares of $20 par, 5% cumulative preferred stock. The debentures are priced at 102½% and accrued interest, and the preferred shares at $20, plus accrued dividends from Aug. 1, 1945.

About $2,826,000 of the proceeds from the sale of the debentures will be used to redeem all of the outstanding twelve-year 3¾% debentures due in 1955 at 102½. The remainder of the proceeds from this offering, as well as the entire proceeds from the sale of the preferred, will be added to the general funds of the company, and will be used for the comprehensive modernization and expansion program now underway. This program includes expansion of present facilities and acquisition of other units which will, it is expected, reduce costs of production and provide new products for the company's peacetime markets. As a step in this program, the company last year spent about $1,200,000 in acquiring the Texas Cement Plaster Company as a part of the expansion of its gypsum business.

Homer Ferguson V.-P. Of Mason-Hagan, Inc.

RICHMOND, VA.—Mason-Hagan, Inc., 1108 East Main Street, announce that Homer L. Ferguson, Jr. has become associated with them as vice-president and treasurer.

Now Carl McKinley Co.

GREELEY, COLO.—Carl D. McKinley has formed Carl D. McKinley & Co., with offices at 906 Ninth Avenue, in partnership with Mrs. Inez N. McKinley. Mr. McKinley was previously in business as an individual dealer.

Railroad Tax Credit Potentials

Letter Available to Dealers

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Railroad Securities

In some quarters there appears to have developed a feeling that directors of Pere Marquette, New York, Chicago & St. Louis and Wheeling & Lake Erie at their regular monthly meetings in September will approve the proposal for consolidation with Chesapeake & Ohio released a few weeks ago. If so, the action will presumably mark the beginning of one of the most bitter fights in recent railroad history. Many railroad analysts who have followed closely the progress of Pere Marquette and Nickel Plate in recent years have been pretty generally of the opinion that even as a trial balloon the recent proposal hardly merited serious consideration. In particular it is felt that holders of Nickel Plate preferred and Pere Marquette prior preference and preferred stocks would hardly look kindly on a proposal which involves settlement of their dividend arrears at substantial discounts.

Even without allowing for the interim reduction in its fixed charges, Nickel Plate was able to report full coverage of the $6.00 dividend rate on its preferred stock in eight of the ten years 1935-1944, with an average of better than $15.00 a share per annum during the period. During the five years ended Dec. 31, 1944 aggregate earnings on the preferred were just short of $115 a share and this will presumably be augmented by at least $25 a share in the current year. Although the dividend is cumulative no dividends were paid during this period. The conservative dividend policy was generally applauded by holders of the preferred stock, in recognition of the need for debt reduction, property improvements, and financial rehabilitation. Willingness to forego dividends in the period of unprecedented prosperity, however, was based on the expectation that once the laudable aims were realized the benefits would accrue to the Nickel Plate stockholders.

Accumulations on the Nickel Plate preferred had risen to $84 a share by July 1, 1945. In exchange for the stock (callable at 110) and the accumulated dividend it is now proposed to offer one share of new Chesapeake & Ohio preferred (dividend rate not specified) and 0.7 shares of Chesapeake & Ohio common. Taking the new preferred at par of $100 and the C. & O. common at its recent market price of 51½, holders of Nickel Plate preferred would be offered securities with an indicated value of around $136 for their claim, in redemption, for $194. With 1945 partly estimated, earnings on this preferred stock during the six years beginning with 1940 are indicated above $140 a share.

Similarly, holders of Pere Marquette prior preference stock are to be offered one share of the new preferred and ⅓ share of C. & O. common. The Pere Marquette prior preference stock is entitled to cumulative dividends at the rate of $5.00 a share and is callable at 100. Earnings in recent years have been well in excess of the dividend requirement but no distributions were made between 1937 and the late spring of 1945. The earnings were utilized for debt reduction, property improvements, and financial rehabilitation with the result that accumulations now amount to $36.25 a share. Net income in 1945 is estimated as more than sufficient to cover the dividend arrears, whereas the merger plan would recognize those arrears with only ⅓ share of C. & O. common, worth, in recent markets, slightly more than $17.

The Pere Marquette preferred stock, which is also callable at 100 and entitled to 5% cumulative dividends (accumulations $70 a share), would be offered 0.8 shares of the new preferred and 0.4 shares of C. & O. common. Taking the new preferred at par this would work out to slightly more than $100 a share against a claim of $170 at the present time. Obviously this claim will be materially higher by the time any plan, even without opposition, could be put through. With finances strong, debt and charges reduced to a conservative level, property in good shape, and prospective earnings in 1945 alone sufficient to more than cover the full arrears on the senior stock, it would be very surprising if holders of the preferred would consent to compromise their claim so drastically. This is particularly true in view of the prospect for elimination of the excess profits tax and the favorable earnings outlook for the properties in early future years based on anticipated high rate of operations in the automobile industry.

If there were no alternative other than merger for eliminating accumulated dividends on prior preference and preferred stocks of Nickel Plate and Pere Marquette it is possible that the holders of the common stocks of these roads might be inclined to look with some favor on the recent proposal. Under this proposal holders of the Nickel Plate common would get 0.9 share and holders of Pere Marquette common 0.5 share of C. & O. common.

Taking 1941 as a reasonable expectation of rail earnings for some years to come, and adjusting for present charges and an overall Federal income tax rate of 35%, earnings on Nickel Plate common would run around $25 a share, on Pere Marquette common around $5.00 a share, on the basis of the regular dividend rates on the senior equities. Figured the same way, C. & O. earnings would

(Continued on page 1063)

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Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, SEPT. 6

WESTVACO CHLORINE PRODUCTS CORP. on Aug. 18 filed a registration statement for 97,000 shares of $3.75 cumulative preferred stock, no par value.

Details—See issue of Aug. 23.

Offering—Holders of the presently outstanding shares of $4.50 and $4.25 cumulative preferred stocks will be afforded an opportunity to exchange their shares for the new preferred stock on a basis giving them the equivalent of the redemption value of their shares. A cash adjustment will be made in lieu of issuing fractional shares. A maximum of 95,703 shares of new preferred will be required to effect complete exchange. Shares not issued under the exchange offer, together with 1,297 additional shares, will be offered publicly by the underwriters at a price to be supplied by amendment. Unexchanged shares of the $4.50 and $4.25 preferred stocks are to be called for redemption on or before Nov. 2.

Underwriters—F. Eberstadt & Co. are named principal underwriters.

SATURDAY, SEPT. 8

PENNSYLVANIA POWER & LIGHT CO. on Aug. 20 filed a registration statement for $93,000,000 first mortgage bonds due Oct. 1, 1975, and $27,000,000 sinking fund debentures due Oct. 1, 1965.

Details—See issue of Aug. 30.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds are to be sold at competitive bidding, with the interest rate named by the successful bidder. Names of the underwriters will be filed by amendment.

CROWN CORK & SEAL CO., INC., on Aug. 20 filed a registration statement for 275,000 shares of $2 cumulative preferred stock (no par), and 86,270 shares of common (no par).

Details—See issue of Aug. 30.

Offering—Company is offering 225,000 shares of the $2 preferred in exchange on a share for share basis (with a cash adjustment of dividends) to holders of its $2.25 cumulative preferred stock.

Company is also offering 63,710 shares of common to common stockholders of record Sept. 10 in the ratio of one share of new common for each six shares held. Rights will expire Sept. 25 The subscription price will be filed by amendment.

Underwriters will offer to the public initially 50,000 shares of the $2 preferred and 22,560 shares of common together with the unexchanged and unsubscribed shares of preferred and common stocks at prices to be filed by amendment. CEM Securities Corporation, one of the principal stockholders, has agreed to waive its right to subscribe to 22,560 shares of new common out of total of 25,060 shares to which it would be entitled and such shares will be sold to underwriters.

Underwriters—The underwriting group is headed by Paine, Webber, Jackson & Curtis.

SUNDAY, SEPT. 9

COLORADO MILLING & ELEVATOR CO. on Aug. 21 filed a registration statement for 111,890 shares of common stock, par $1. The shares are issued and outstanding. The selling stockholders are Union Securities Corp. 101,890 shares, and Joseph H. King, a director, 10,000.

Details—See issue of Aug. 23.

Offering—The price to the public is $13 per share. The underwriters are to receive $1.50 per share.

Underwriters—The underwriters are Paul H. Davis & Co., Chicago, 45,270 shares; Hornblower & Weeks, New York, and Boettcher & Co., Denver, 33,310 shares each.

MONDAY, SEPT. 10

A. S. BECK SHOE CORP. on Aug. 22 filed a registration statement for 39,046 shares of 4¾% cumulative preferred stock and 20,129 shares of common, par $1. The shares are to be sold by certain stockholders.

Details—See issue of Aug. 30.

Underwriters—The underwriting group is headed by Lehman Brothers and Wertheim & Co.

BENSON HOTEL CORP. on Aug. 22 filed a registration statement for $440,000 first refunding mortgage serial and sinking fund bonds series A dated July 2, 1945, due serially Jan. 1, 1946 to July 1, 1957.

Details—See issue of Aug. 30.

Offering—The offering price to the public will be as follows: $75,000 of 3s at 100.50, $84,000 of 3¼s at 100.75 and $281,000 of 3½s at 101.

Underwriters—B. C. Ziegler & Co., West Bend, Wis., is named underwriter.

TUESDAY, SEPT. 11

PUBLIC SERVICE CO. OF INDIANA, INC., on Aug. 23 filed a registration statement for $48,000,000 first mortgage bonds, series F, due Sept. 1, 1975, and 150,000 shares of cumulative preferred stock (par $100). The bonds and stock will be sold at competitive bidding, with the successful bidder naming the interest and dividend rates.

Details—See issue of Aug. 30.

Offering—The price to the public of the bonds and preferred stock will be filed by amendment.

Underwriters—The names of underwriters will be filed by amendment.

PROVINCE OF NEW BRUNSWICK, CANADA, on Aug. 23 filed a registration statement for $4,500,000 5½-year debentures due March 15, 1951. The interest rate will be filed by amendment.

Offering—The price to the public will be filed by amendment.

Underwriters — The underwriters are Smith, Barney & Co.; Harriman Ripley & Co., Inc.; First Boston Corporation; Dominion Securities Corp.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; McLeod, Young, Weir Inc., and Hayden, Stone & Co.

WEDNESDAY, SEPT. 12

AMERICAN CENTRAL MANUFACTURING CORP. on Aug. 24 filed a registration statement for 142,154 shares of common stock, par $1.

Details—See issue of Aug. 24.

Offering—The company is offering the new stock for subscription by its common stockholders on the basis of one additional share for each 2½ shares held. The subscription price will be filed by amendment. Of the total, 85,304 shares will be offered to Aviation Corp., as stockholder, and 56,850 shares will be offered to other stockholders. Any shares not subscribed by other stockholders will be purchased by Aviation Corp.

Underwriters—None named.

MORRIS PLAN CORP. OF AMERICA on Aug. 24 filed a registration statement for 937,500 shares of common stock, par value 10 cents.

Details—See issue of Aug. 30.

Offering—The company on Aug. 21, 1945, received $7,500,000 in cash from American General Corp. as the purchase price of the 937,500 shares covered by the prospectus. The 937,500 shares are offered by American General pursuant to agreements with Morris Plan Corporation for sale at $8 per share or for exchange under certain conditions. Under offer one the holders of common stock of Morris Plan Corporation, other than Industrial Finance Corp., will be entitled to purchase 1.60 shares of common for each share of new common stock held. The holders of 7% preferred of Industrial will be entitled to purchase 18.5 shares for each share held and the holders of common of Industrial will be entitled to purchase 0.40 shares for each share held. In the event that 7% preferred and common stockholders of Industrial do not elect to purchase the entire number of shares covered by the offer they will be entitled to exchange their shares on the following basis: for each share of 7% preferred of Industrial 12.50 shares of common of Morris Plan, and for each four shares of Industrial common one share of Morris Plan. A plan announced last month provided that Morris Plan would provide the stock to be sold by changing the authorized number of shares of old common from 200,000, par $5, to 3,500,000, par 10 cents each, and to issue four shares of new common for each share of old common outstanding so that as a result 591,165 shares of new common would be outstanding.

Underwriters—American General Corp. is named underwriter.

THURSDAY, SEPT. 13

ARMSTRONG CORK CO. on Aug. 25 filed a registration statement for 161,522 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Aug. 30.

Offering—The company is offering 108,528 shares to holders of common stock of record Sept. 13, 1945, in the ratio of one share for each 13 shares of common held at a price to be filed by amendment. The company also is offering 52,994 shares to holders of its 4% cumulative convertible preferred stock in exchange on a share for share basis. The exchange offer will expire Sept. 25. The underwriters will offer any unsubscribed or unexchanged shares at a price to be filed by amendment.

Underwriters — The underwriters are Smith, Barney & Co.; Kidder, Peabody & Co.; Mellon Securities Corp.; Blyth & Co., Inc.; E. W. Clark & Co.; Dillon, Read & Co., Inc.; Drexel & Co.; Eastman, Dillon & Co.; First Boston Corp.; Goldman, Sachs & Co.; Graham, Parsons & Co.; Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers; Moore, Leonard & Lynch; Morgan Stanley & Co.; Reynolds & Co.; Singer, Deane & Scribner; Stone & Webster and Blodget, Inc.; Stroud & Co., Inc., and Union Securities Corp.

FRONTIER REFINING CO. on Aug. 25 filed a registration statement for $400,000 5% sinking fund debentures, due Sept. 1, 1950.

Details—See issue of Aug. 30.

Offering—Price to the public will be filed by amendment.

Underwriters—Boettcher & Co., Peters, Writer & Christensen, Inc., and Sidlo, Simons, Roberts & Co.

FROEDTERT GRAIN & MALTING CO., INC., on Aug. 25 filed a registration statement for 40,000 shares of cumulative preferred stock, par $50. The dividend rate will be filed by amendment.

Details—See issue of Aug. 30.

Offering—The price to the public will be filed by amendment.

Underwriters—The principal underwriters are Schroder Rockefeller & Co., Inc., and Loewi & Co.

SATURDAY, SEPT. 15

AMERICAN TELEPHONE & TELEGRAPH CO. on Aug. 27 filed a registration statement for $160,000,000 30-year 2¾% debentures, due Oct. 1, 1975.

Details—See issue of Aug. 30.

Offering—The price to the public will be filed by amendment.

Underwriters—The debentures will be offered for sale at competitive bidding. Bids are to be received before 11:30 a.m. on Sept. 24, 1945, at which time they will be opened.

SUNDAY, SEPT. 16

BURRILLVILLE RACING ASSOCIATION has filed a registration statement for $1,000,000 6% 20-year debentures due Sept. 1, 1965, and 10,000 shares class A stock (no par).

Address—12 East Avenue, Pawtucket, R. I.

Business—Conducting running horse race meetings.

Offering—The public offering price for a unit consisting of $500 of debentures and five shares of stock is $500 with the underwriter receiving a commission of $25

Proceeds—The proceeds, estimated at $934,000 after commissions and expenses, will be used for the construction of a new race plant to be known as the Lincoln Race Track located at Lincoln, R. I., about six miles from the City Hall in Providence.

Underwriters—Barrett & Co., Providence, R. I., underwriters.

Registration Statement No. 2-5886. Form S-2. (8-28-45).

THRIFTY DRUG STORES CO., INC. has filed a registration statement for 25,000 shares of 4½% cumulative preferred, series A ($100 par), and 150,000 shares of common (par $1). Of the total, 16,259 shares of the preferred will be sold by the company and the remaining 8,741 shares of preferred and the 150,000 shares of common will be sold by certain stockholders.

Address—1340 East Seventh Street, Los Angeles, Cal.

Business—Operates a chain of 62 retail drug stores in Southern California.

Offering—The price to the public will be filed by amendment.

Proceeds—Net proceeds to the company from the sale of 16,259 shares of preferred are estimated at $1,546,549. They will be added to the general funds of the company to augment working capital in connection with the financing of its normal business operations. The company has entered into seven new leases covering additional store locations. The statement added that the company intends to continue the opening of new stores, and in these stores the company may be required to install new fixtures.

Underwriters—Eastman, Dillon & Co., underwriters.

Registration Statement No. 2-5887. Form S-1. (8-28-45).

MONDAY, SEPT. 17

MEMPHIS STREET RAILWAY CO. has filed a registration statement for $3,500,000 first mortgage serial bonds. The bonds are to be offered for sale at competitive bidding, with the successful bidder naming the interest rate.

Address—821 Beale Avenue, Memphis, Tenn.

Business—Transportation service.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds, together with such additional cash from its general funds as may be required, will be used to pay $2,902,500 series A 5% bonds due Oct. 1, 1945, and $782,900 series B (income bonds) due Oct. 1, 1945. The company is a subsidiary of National Power & Light Co.

Underwriters—Names will be filed by amendment.

Registration Statement No. 2-5888. Form S-1. (8-29-45).

GENERAL FINANCE CORP. has filed a registration statement for $2,000,000 15-year 3¾% debentures, due Aug. 1, 1960.

Address—184 West Lake Street, Chicago, Ill.

Business — Discounting of installment notes in connection with the sale of automobiles, "small loans," etc.

Offering—The price to the public will be filed by amendment.

Proceeds—Net proceeds will be added to the net working funds of the company and may be used for the development of additional retail and wholesale financing in the automobile, home appliance and consumer field generally and for making small loans.

Underwriters—Paine, Webber, Jackson & Curtis, principal underwriters.

Registration Statement No. 2-5889. Form S-1. (8-29-45).

ADAM HAT STORES, INC., has filed a registration statement for 150,000 shares of common stock, par $1, of which 100,000 shares are to be offered for sale for cash and 50,000 shares reserved for issuance upon the exercise of stock option warrants. Of the stock to be offered, 95,000 shares are being sold by Elias Lustig, President, and 5,000 shares by Harold E. Lustig, Vice-President and Treasurer. The statement also covers 50,000 warrants, of which 25,000 are being sold to certain officers and employees of the company and 25,000 to underwriters.

Address—657-665 Broadway, New York, N. Y.

Business—Operates a chain of 98 retail stores selling men's hats, etc.

Offering—The price to the public is $8.50 per share.

Proceeds—The proceeds from the sale of the stock will go to the selling stockholders. The warrants are being sold at 10 cents per warrant share. The warrants entitle holders to purchase common stock prior to Sept. 1, 1950, at $8.50 per share.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co.

Registration Statement No. 2-5890. Form S-1. (8-29-45).

WEDNESDAY, SEPT. 19

ARDEN FARMS CO. has filed a registration statement for 50,000 shares of $3 cumulative and participating preferred stock, without par value.

Address—1900 West Slauson Avenue, Avenue, Los Angeles, Cal.

Business—Dairy business and related activities.

Offering—The company has granted holders of its preferred stock rights to subscribe to the new preferred at the rate of one share for each 2½ shares held. The subscription price will be filed by amendment. Unsubscribed shares shall be sold at such price as fixed by the board of directors.

Proceeds—The net proceeds will be used to improve cash and working capital positions, primarily in connection with the carrying of larger inventories.

Underwriters—To be filed by amendment.

Registration Statement No. 2-5891. Form S-1. (8-31-45).

INTERNATIONAL RESISTANCE CO. has filed a registration statement for 175,000 shares of 6% cumulative convertible preferred (par $5) and 525,000 shares of common (par 10 cents), of which 350,000 are to be reserved for conversion of the preferred stock. Each share of 6% cumulative convertible preferred is convertible at the option of the holder into two shares of common without the payment of any additional consideration at the time of conversion.

Address—401 N. Broad St., Phila., Pa.

Business—Manufacture of resistors, a fundamental electrical device.

Offering—The stock will be offered in units consisting of one share of preferred and one share of common stock for $5 per unit.

Proceeds—The net proceeds, which are estimated at $743,750, will be used to augment working capital and for other corporate purposes to cover the transition operations. The company said the anticipated increased volume of paecetime business and the introduction of new and improved types of resistors will require the expenditure of considerable sums for research, development, machinery, etc.

Underwriters—The principal underwriters are Newburger & Hano, and Kobbe, Gearhart & Co., Inc.

Registration Statement No. 2-5892. Form S-1. (8-31-45).

THURSDAY, SEPT. 20

ALLIED CONTROL CO., INC., has filed a registration statement for 100,000 shares of 55-cent cumulative preferred stock (par $8) and 20,000 shares of common (par $1).

Address—2 East End Avenue, New York, N. Y.

Business—Manufacture and distribution of relays.

Offering—The securities are to be initially offered in units of one share of preferred and one-fifth share of common at a price per unit to be filed by amendment.

Proceeds—Of the net proceeds the company intends to expend $79,200 for the purchase or redemption of all outstanding shares of its 5% cumulative preferred stock at the redemption price of $110 per share, plus accrued dividends; to expend $119,450 in payment of its first loan from Smaller War Plants Corporation. The balance will be added to the general funds of the company.

Underwriters—Ames, Emerich & Co., Inc., and Dempsey & Co. are named principal underwriters.

Registration Statement No. 2-5893. Form S-1. (9-1-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ACF-BRILL MOTORS CO. on June 30 filed a registration statement for 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

Details—See issue of July 12.

Offering—The warrants entitle the holder to subscribe to the common stock of the company. The selling stockholder, American Car & Foundry Investment Corporation, proposes to offer the warrants for sale to the public commencing approximately Aug. 1, 1945, with the price to be determined from day to day by market sales of the warrants.

Underwriters—None mentioned.

ALLIED STORES CORP. on July 31 filed a registration statement for 200,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Aug. 9.

Offering—The offering price to the public will be filed by amendment. It is expected that arrangements will be made with the underwriters whereby holders of the company's outstanding 5% preferred, par $100, will be afforded an opportunity to purchase the new stock by tendering their old stock in payment for the new.

Underwriters—The underwriting group is headed by Lehman Brothers.

ANCHORAGE HOMES, INC. on July 17 filed a registration statement for 505,000 shares of Class A capital stock, par $1, and 250,000 shares of Class B stock, par 10 cents.

Details—See issue of July 26.

Offering—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of $60.20 per unit.

Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

BROCKWAY GLASS CO., INC., on Aug 8 filed a registration statement for 10,000 shares of 5% cumulative preferred stock, par $50.

Details—See issue of Aug. 16.

Offering—The price to the public is $50 per share. The company will offer the securities to the residents of the City of Muskogee, Okla., and others who are interested in the establishment of a glass plant by the company at Muskogee, as well as to persons living in the vicinity of Brockway, Pa.

Underwriters — There are no underwriters.

BROOKLYN BOROUGH GAS CO. on July 10 filed a registration statement for $3,640,000 first mortgage bonds due Aug. 1, 1970. The interest rate will be filed by amendment.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment.

Bids Invited—Bids will be received by the company at office of Whitman, Ransome, Coulson & Goetz, 40 Wall Street, New York, at or before 12 noon (EWT) on Sept. 5, 1945, for the purchase of the bonds. The coupon rate is to be specified in the bid.

BROOKLYN BOROUGH GAS CO. July 11 filed a registration statement for 15,000 shares cumulative preferred stock. The stock will be sold at competitive bidding and the dividend rate filed by amendment.

Details—See issue of July 19.

Offering—Price to public to be filed by amendment.

Underwriters—To be filed by amendment.

CENTRAL ELECTRIC & GAS CO. on July 30 registered 65,000 shares of 4.75% cumulative preferred stock, Series A, par $50.

Details—See issue of Aug. 2.

Offering—The company is offering the new 4.75% preferred in exchange for its presently outstanding 6% cumulative preferred stock on a share for share basis prior to Sept. 10. The unissued shares will be sold to the underwriters who will offer them to the public at $53 per share.

Underwriters — The underwriting group is headed by Paine, Webber, Jackson & Curtis and Loewi & Co.

CENTRAL HUDSON GAS & ELECTRIC CORP. on Aug. 10 filed a registration statement for 445,738 shares of common stock. The shares are issued and outstanding and are owned by Niagara Hudson Power Corp.

Details—See issue of Aug. 16.

Offering—The shares are to be sold at competitive bidding and the price to the public will be filed by amendment.

Underwriters—To be filed by amendment.

Bids Invited—Niagara Hudson Power Corp. will receive proposals for the purchase of the shares up to noon Sept. 11 at 15 Broad Street, New York City.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

COMMERCIAL CREDIT CO. on June 7 filed a registration statement for 250,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of June 14.

Offering—Company is offering the holders of the 121,938 shares of 4¼% cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.

Underwriters—Kidder, Peabody & Co. and First Boston Corp. are named principal underwriters.

CONSOLIDATED BISCUIT CO. has filed a registration statement for 60,000 shares 4½% convertible cumulative preferred stock, par $20.

Details—See issue of Aug. 9.

Offering—The offering price to the public is $20 per share.

Underwriters—The principal underwriters are F. S. Yantis & Co., Inc., and Dempsey & Co., both of Chicago.

Registration Statement withdrawn Aug. 24, 1945.

CONSUMERS POWER CO. on Aug. 16 filed a registration statement for $113,825,000 first mortgage bonds series due 1975. The bonds will be sold at competitive bidding and the interest rate will be named by the successful bidder.

Details—See issue of Aug. 16.

Offering—The price to the public will be filed by amendment.

Underwriters—The names will be filed by amendment.

Bids Invited—Bids for the purchase of the bonds will be received at the office of Commonwealth & Southern Corp., 20 Pine Street, New York, up to 12 noon (EWT) Sept. 10. The successful bidder is to specify the coupon rate.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

EVERSHARP, INC., on July 9 filed a registration statement for 32,500 shares of

Labor's Post-War Program

(Continued from page 1059)

needed war equipment across submarine infested seas.

But labor's greatest war service was performed right here at home on the production lines. Make no mistake about it—the tremendous, record-breaking volume of war production in American factories by American workers proved the decisive factor in victory. Their sweat, strain and exhaustive effort, their skill and adaptability to new tasks and methods of production, increased the output of munitions to a peak of five and a half billion dollars worth a month, eleven times higher than it was when the war began. Efficiency of workers increased 72%, despite long hours and distressing living conditions in congested industrial centers. These achievements were accomplished by a voluntary army of workers—the only labor force of any nation in the war functioning without a compulsory labor draft. And they were accomplished with a minimum of interruption or delay due to strikes. Time lost due to strikes during the war amounted to only a fraction of 1% of the total time worked and was more than made up by extra hours put in by workers on national holidays when they remained on the job. This is the first Labor Day in four years which the nation's workers have been able to celebrate in the good old way—at leisure.

Perhaps I can best illustrate labor's contribution toward ending the war sooner by telling you the dramatic story of the atomic bomb. When the scientists first perfected that new and unbelievably destructive explosive, Undersecretary of War Robert P. Patterson called me to the War Department for a confidential meeting. He told me that the Army had developed a new, secret weapon, the nature of which could not even be whispered, and that it was of the highest importance to get that weapon into production before any enemy power could beat us to the punch. He said two brand new plants would have to be constructed in record time, one in Tennessee and the other in the State of Washington, to produce the secret explosive. He asked whether the American Federation of Labor could supply thousands of skilled workers to go out to those remote spots to do the job.

I assured him that we could and would. Our unions, mobilized for just such war emergencies, recruited many thousands of skilled craftsmen and sent them to the sites of the two biggest construction projects in history. Through their unremitting efforts and through the cooperation of American Federation of Labor unions, which sacrificed long-standing conditions of work to expedite the job the plants were completed on schedule. Then we supplied additional thousands of workers to produce the bombs. When those bombs hit Japan, the war ended in a few days. And the War Department, in grateful recognition of labor's vital role in the success of the atomic bomb, extended official commendation to the eighteen American Federation of Labor unions whose members did the work and kept the secret.

During the last meeting of the Executive Council of the American Federation of Labor in Chicago, I received the following telegram from Undersecretary of War Patterson:

"Through you I want to thank all the officers and members of your building and metal trades unions who helped build and man the plants in which our atomic bombs are made. You recruited skilled mechanics from thousands of miles away to work on these projects even though we could not tell you what they were making. Now you have the reward of knowing that their efforts are making an important contribution to final victory.—Robert P. Patterson, Undersecretary of War."

Now that the war has ended, the American Federation of Labor is determined that atomic bombs must never be used again for the wholesale slaughter of human beings. The impact of those bombs was heard around the world and struck terror into the hearts of human beings everywhere. All thinking people now realize that mankind faces the alternative of total peace or total destruction. If ever a dictator should rise to power again and threaten to engulf the world anew in aggression and war, it is unthinkable that his people would not strike him down rather than face certain annihilation.

Let it be our supreme purpose, then, to cement the bonds of the United Nations Organization and to carry out to the fullest extent the peaceful procedure for settlement of international disputes contained in the San Francisco Charter.

And let us make the most of peace by cultivating its rich opportunities and enjoying its fruits. We have the resources and the skill and the facilities with which to build a standard of living in our land far surpassing any that ever existed on earth.

It is our solemn duty to the honored dead who gave their lives to win the victory and our obligation to the living who bear on their bodies or in their hearts the scars inflicted by war, to redeem the sacrifices of suffering mankind and to make good the pledges which were so freely given in the heat of conflict.

The American Federation of Labor extends a welcoming hand to the servicemen who are now returning home from overseas and will soon be resuming civilian life. We will do everything within our power to help them obtain good jobs and make a new start in life.

The brave men and women who served in uniform during the war will find that labor will support their economic and legislative aims just as consistently and effectively as we backed them up on the fighting fronts. Anyone who tries to divide labor and the veterans and set them against each other is an enemy of American democracy. For it is just as essential for labor and the veterans to stand together and work together to win the peace as it was to win the war.

The American Federation of Labor has emerged from the vicissitudes of war stronger in organization and in spirit than ever before in history. We do not intend to relinquish a single one of the gains we have won for the nation's workers. On the contrary, we are determined to press ever forward, to complete the task of organizing the unorganized and to weld the forces of American labor into a single, united whole. With your help and the assistance of the other seven million members of our great movement, we can do our part toward establishing a far richer and a far more abundant way of life here in America for all our people.

The earnest attention you have given this discussion of the grave problems confronting our country and the world convinces me of your willingness to enlist in the drive for a worthwhile peace. And now, for the balance of this traditional Labor Day, let's go out and celebrate the victory of the present and the promise of the future.

---

common stock, par $1. Shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—Lehman Brothers heads the underwriting group.

FABRICON PRODUCTS, INC., on Aug. 13 filed a registration statement for 28,960 shares of common stock, $5 par value. The shares are issued and outstanding and are being sold by five stockholders, including 18,960 shares by Lawrence O. Turner, President of the company.

Details—See issue of Aug. 16.

Offering—The price to the public is $25 per share.

Underwriters—Baker, Simonds & Co., Detroit, Mich.

GENERAL MILLS, INC., on Aug, 16 filed a registration statement for 100,000 shares of cumulative convertible preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Aug. 11.

Offering—The company proposes to issue warrants to common stockholders of record Sept. 7, 1945, to subscribe at the rate of one share of the new convertible preferred for each 20 shares of common stock at a price to be filed by amendment. Warrants will expire at 3 p.m. Sept. 19, 1945.

Underwriters—The underwriters are Dillon, Read & Co., Inc., Allison-Williams Co., C. S. Ashmun, Caldwell Phillips Co., J. M. Dain & Co., Frank & Belden, Inc., Goldman, Sachs & Co., Hemphill, Noyes & Co., Kalman & Co., Inc., Kuhn, Loeb & Co., W. C. Langley & Co., Lee Higginson Corporation, Merrill Lynch, Pierce, Fenner & Beane, Park-Shaughnessy & Co., Piper, Jaffray & Hopwood, L. F. Rothschild & Co., Smith, Barney & Co., Union Securities Corporation, Watling, Lerchen & Co., Dean Witter & Co., Harold E. Wood & Co., and Woodward-Elwood & Co.

HAMILTON RADIO CORP. on July 27 filed a registration statement for 150,000 shares of its common stock, par $1, of which 100,000 shares are to be offered presently to the public and 50,000 shares reserved for the conversion of warrants, and 50,000 common stock purchase warrants.

Details—See issue of Aug. 2.

Offering—The common stock is being offered to the public at $5.75 per share. The common stock warrants entitle holder to purchase shares at $5.75 per share before Aug. 1, 1950. The company proposes to sell 30,000 of the warrants to underwriters, 15,000 to Adolphe A. Juviler, President and Treasurer, and 5,000 to Percy L. Schoenen, Vice President and Secretary, at 10 cents each.

Underwriters—Van Alstyne, Noel & Co. is principal underwriter.

HOUDAILLE-HERSHEY CORP. has filed a registration statement for $6,000,000 sinking fund debentures, due Sept. 1, 1960, and 190,000 shares of $2.25 cumulative convertible preferred, par $50.

Details—See issue of Aug. 9.

Offering—The public offering price of the debentures will be filed by amendment. Of the 190,000 shares of $2.25 preferred, 173,500 shares are to be offered by the company in exchange, on a share for share basis plus a payment of $5 a share to the company and with a cash adjustment of dividends, to holders of its outstanding Class A no par value stock. The remaining 16,500 shares and the unexchanged shares will be sold to the underwriters and offered to the public at a price to be filed by amendment. The $5 represents the difference betwen the par value of the new stock and the $45 redemption value of the Class A stock.

Underwriters—The underwriting group is headed by Paul H. Davis & Co. and Union Securities Co.

JEFFERSON LAKE SULPHUR CO., INC., on Aug. 9 filed a registration statement for 167,000 shares of common stock, $1 par.

Details—See issue of Aug. 29.

Offering—The company is offering to the holders of its common stock of record on Sept. 3, 1945, the right to subscribe at $9.75 per share for additional shares on the basis of seven-tenths of one share for each share held. Subject to the prior rights of holders of subscription warrants, officers of the corporation, who are not directors, and employees will be entitled to subscribe to 21,287 shares at $9.75 per share.

Underwriters—D'Antoni & Co., New Orleans, is the principal underwriter.

(This list is incomplete this week)

Now Timmons-Polk

ZANESVILE, OHIO—The firm name of The W. L. Timmons Co., First National Bank Building, has been changed to Timmons-Polk, Inc. Officers, all of whom were connected with the former firm, are W. L. Timmons, President and Treasurer; E. W. Polk, Vice-President and Secretary; and Eleanor R. Emerson, Assistant Secretary and Assistant Treasurer.

Walter Herrick Dead

Walter R. Herrick, a limited partner in Hornblower & Weeks, 40 Wall Street, New York City, died at his home at the age of seventy-six. Mr. Herrick became a limited partner of Hornblower & Weeks in 1942 when the firm was consolidated with G. M.-P. Murphy & Co. He had been a member of the latter company and earlier had been a senior partner of the former Herrick, Berg & Co.

EARNINGS STATEMENT

ALLIS-CHALMERS MFG. CO.

STATEMENT OF EARNINGS

Allis-Chalmers Manufacturing Company has released an earnings statement for the twelve months period July 1, 1944, to June 30, 1945, showing gross sales, less discounts, returns and allowances of $372,515,395.56 and a net profit after taxes and various reserves of $9,150,340.96.

Copies of said statement are available to the Company's security holders and to other interested parties and may be obtained from the Company or from Guaranty Trust Company, 140 Broadway, New York, its transfer agent, as well as other sources.

W. E. HAWKINSON,
Secretary-Treasurer.

Railroad Securities

(Continued from page 1061)

amount to around $4.70 a share on the present stock and to approximately $6.40 a share on the basis of the proposed consolidation. Even if one goes back to the 1936-1940 average, indicated earning power of the Nickel Plate common would be well in excess of either the present C. & O. or the C. & O. in merger.

There is one other angle that holders of the Pere Marquette and Nickel Plate securities are apt to consider in line with the merger and that is the financial strength they are to be asked to add to Chesapeake & Ohio. On June 30 Chesapeake & Ohio had a net working capital deficit of $1,279,000 while Nickel Plate and Pere Marquette showed net working capital of $6,177,000 and $8,104,000 respectively. Many rail men are convinced that even the common stock holders of Nickel Plate and Pere Marquette would fare far better in internal stock recapitalizations (with the use of some cash) designed to eliminate dividend arrears on the senior stocks than they would in consolidation with Chesapeake & Ohio where they would be asked to accept fractional shares of a large stock issue whose earnings position would presumably be enriched by the contributions of their property.

Miles Sharkey Joins Blyth & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Miles A. Sharkey has become associated with Blyth & Co., Inc., 215 West Sixth Street. Mr. Sharkey was previously manager of the trading department for Stern, Frank & Meyer, and prior thereto was an officer of O'Melveny, Wagenseller & Durst.

New Wire for White Co.

ST. LOUIS, MO. — White & Company, Mississippi Valley Trust Building, announces that they have recently installed a direct wire to Laird, Bissell & Meeds, New York City, which now gives them direct wire service to Chicago, Kansas City and New York, as well as connecting wire service to Los Angeles and the West Coast.

John M. Ross Dead

John M Ross, retired stock broker, formerly a partner in Laird, Bissell & Meeds and a vice-president of the Guaranty Trust Company of New York, committed suicide on Aug. 31 by leaping from a window of his suite at the Hotel Beverly. In a note left in his room, Mr. Ross explained that his act had been caused by ill health and financial reverses.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On July 31, 1945, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable October 1, 1945, to Stockholders of record at the close of business September 13, 1945 Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

TEXTILES PLASTICS CHEMICALS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable October 1, 1945 to holders of record at the close of business September 17, 1945.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1945 to holders of record at the close of business September 17, 1945.

COMMON STOCK

50 cents per share, payable September 30, 1945 to holders of record at the close of business September 17, 1945.

R. O. GILBERT
Secretary

September 4, 1945.

DU PONT E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *August 20, 1945*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable October 25, 1945, to stockholders of record at the close of business on October 10, 1945; also $1.25 a share, as the third interim dividend for 1945, on the outstanding Common Stock, payable September 14, 1945, to stockholders of record at the close of business on August 27, 1945.

W. F. RASKOB, *Secretary*

IRVING TRUST COMPANY

August 30, 1945

The Board of Directors has this day declared a quarterly dividend of fifteen cents per share on the capital stock of this Company, par $10., payable October 1, 1945, to stockholders of record at the close of business September 10, 1945.

STEPHEN G. KENT
Secretary

J. I. Case Company

(Incorporated)

Racine, Wis., September 5, 1945.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable October 1, 1945, and a dividend of 40c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable October 1, 1945, to holders of record at the close of business September 12, 1945.

WM. B. PETERS, Secretary

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable Oct. 1, 1945, to stockholders of record at the close of business Sept. 6, 1945.

ROBERT W. WHITE, Vice-President

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $1.00 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on September 29, 1945, to the holders of record of such shares at the close of business on September 14, 1945.

E. H. BACH, Treasurer.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Treasury's projected policy of financing future deficits and maturing obligations with short-term low coupon issues, that will go largely to the commercial banks, is beginning to be reflected in the Government bond market. . . . The fact that there will be no obligations eligible for purchase by the commercial banks, aside from certificates, when the coming Victory Loan is over, together with the refunding of the partially exempt 2¾% due 9/15/45, with only certificates, appears to have removed any doubts about the Government's policy of financing as cheaply as possible in order to keep down the interest burden. . . .

As a result of the clarification of the future financing program of the Government the market, which had been hesitant and uncertain, became more confident last week with a demand appearing for the middle and longer term taxable obligations. . . . Also the partially exempts were well taken. . . .

The restricted issues firmed as deferred purchasers took up the bonds they had subscribed for in the last war loan. . . .

INCREASED DEMAND

The method of financing to be followed by the Treasury to cut the debt burden, will no doubt create a substantial demand for the outstanding intermediate and long term commercial bank eligible issues. . . . The presently outstanding eligible securities will be increased only to the extent that present holders may sell them. . . . With the knowledge that the demand will be there, undoubtedly many will hold these securities for higher prices. . . . On the other hand the savings banks and insurance companies will probably be sellers since they can still purchase the restricted issues. . . .

Nevertheless, with the return flow of currency from circulation, which is expected to start about the middle of the month, the commercial banks should have ample funds to put to work, which monies it is indicated will seek investment first in the higher coupon eligible obligations. . . .

Accordingly it is the advice of money market experts that the following securities be taken on at this time for both income and price appreciation:

Rate	Maturity	Rate	Maturity
2%	9/15/51/53	2½%	3/15/52/54
2%	12/15/51/55	2¼%	6/15/52/55
2%	6/15/52/54	2½%	3/15/56/58
2%	12/15/52/54	2½%	9/15/67/72

COMMERCIAL BANKS

It is believed that the Treasury's financing program means that the commercial banks in the not distant future will be buyers of some of the highest grade long-term corporate obligations. . . . Even at the present time some of these institutions are indicating an interest in certain of the nearby refundings. . . .

Although the monetary authorities have in the past been disturbed at the sharp advance that has taken place in the longest term commercial bank eligible taxable Government bonds, it was pointed out by portfolio managers that they would rather have the longest maturities of the eligible taxables than the long-term corporates. . . .

It is their opinion that the longest issues of the Governments entail far less risk than do comparable maturities of corporates. . . .

PARTIAL EXEMPTS

The partially exempt bonds have recovered a sizeable amount of their recent decline but despite this betterment, those callable or maturing from 1950 on, still give a larger tax free yield than do comparable maturities of the taxable obligations. . . . Although tax reductions are expected it is not indicated that they will be so sharp as to bring them below the 40% level. . . . In fact there seem to be many well informed tax experts who hold the opinion that in order to balance the budget, and retire some debt the 40% rate will be with us for a long time to come. . . .

While the partially exempt obligations may be sensitive to tax developments it is the opinion of money market advisers that they are attractive at these levels, with their selections still dominated by the last four maturities of these bonds. . . .

Trading Markets in

Bendix Home Appliances
Clyde Porcelain Steel
Baltimore Porcelain Steel
Ironrite Ironer
Globe Aircraft
Lear Inc.
Majestic Radio & Television
Wilcox & Gay
Utah Idaho Sugar
Amalgamated Sugar
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GOOD BUY

Alhough the savings banks and to a lesser extent the insurance companies may switch from the restricted 2¼s due 1956/59 into the 2¼s of June 15, 1959/62, and the Victory Loan 2¼s due Dec. 15, 1959/62, the shorter maturity is liked for income and price betterment at these levels. . . . In just about a year the 2¼s of 1956/59 will be eligible for purchase by the commercial banks, and under the indicated pattern of financing this bond should then be selling at substantially higher prices than those currently prevailing. . . .

Although the restrictions as to purchases by savings banks and insurance companies in the Victory drive have not been announced it is believed in some quarters that subscriptions of these institutions will be subject to allotment. . . . Whether allotments will be used in the coming drive is purely conjecture at this time. . . .

Nevertheless it has started quite a guessing game among these institutions with the prevailing opinion tnat somewhere between 60% and 75% of the total amount asked for will be received.

DISCOUNTED

The differential discount rate and its probable change has ceased to be a market factor. . . . It is believed by some that the reason why the reported change or elimination of this rate has been relegated to the background is because of the impending Victory Loan. . . . Others are of the opinion that with the return flow of currency, which should be starting very soon, and the resulting increase in excess reserves, the banks will not be discounting short-term obligations, but will be buyers of them. . . .

Hence the borrow-and-buy phase of the Government bond market which disturbed the monetary authorities in the past should come to a natural end. . . .

While further use of the differential discount rate is expected in the coming drive, it will probably not reach the proportions it did in the past. . . .

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was concluded Aug. 20 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $20,060,000 ⅞% consolidated debentures dated Sept. 1, 1945 and due Mar. 1, 1946. The issue was placed at par. The proceeds, together with treasury cash of $8,710,000 were used to retire $28,770,000 debentures maturing Sept. 1. As of Sept. 1, 1945, the total amount of debentures outstanding will be $266,595,000.

Moeller to be Partner In Blanchard, Snow

Richard H. Moeller will acquire the New York Stock Exchange membership of the late Arthur A. Zucker and will be admitted to partnership in Blanchard, Snow & Watts, 115 Broadway, New York City, on Sept. 14. Mr. Moeller was formerly a partner in Smith & Gallatin. In the past he was active as an individual floor broker and was a partner in R. Swinnerton & Co., Southgate & Co., and Carreau & Co.

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Van Dorn Iron Works
Common Stock
No Bank Loan No Funded Debt No Pfd.

Net Working Capital	$2,225,000
Book Value	$48.00 + per share
Cash Equity	$23.00 + per share
Earnings	$ 2.95 per share
Dividend	$ 2.00 per share

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National Security Traders Association

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Ed. E. Parsons, Jr.

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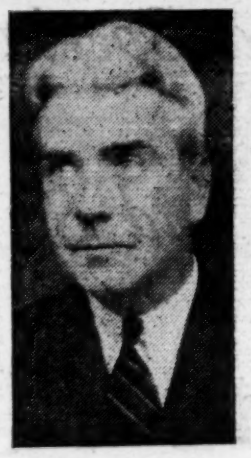

John E. Sullivan, Jr.

Treasurer

J. G. Heimerdinger

Wm. Perry Brown

Executive Council

The Executive Council is composed of the Officers; retiring President; William Perry Brown; Josef C. Phillips and W. Perry McPherson.

Josef C. Phillips

BEST WISHES

To All Members of the

NATIONAL SECURITY TRADERS ASSOCIATION

With a Special Wish

To the Boys Who Did So Much to Bring Us

V-E and V-J Days

NATIONAL QUOTATION BUREAU
INCORPORATED

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Greetings From N S T A Officials Past and Present

ED. E. PARSONS, JR.

The 12th Annual Meeting of your Association comes at the end of one of the most difficult periods in the country's history; and puts us on the doorstep of the time that

Ed. E. Parsons, Jr.

we have all worked and hoped for through almost 4 years of war.

In the past year, I have attended meetings of 13 of our Affiliates and found that the members of our Association have given, in some cases, their lives, and in others, much time and effort to end the war. The outlook for the future is good although probably slightly clouded.

The basic purpose of our Association, as stated in the preamble of the Constitution, is to promote the general welfare of its members. I believe that our Association has done this; and it is my hope and desire that we continue to do so, through reemployment of returning service personnel, addition of new blood and the broadening of our markets, through wider personal contacts.

May I take this opportunity to thank all of the various officers of Affiliates whom I have met in the past year, who have extended me many favors.

Your new President, Mr. Thomas Graham, has done excellent work and I know with his new group of officers will continue his efforts.

Ed. E. Parsons, Jr.

WM. PERRY BROWN

The Twelfth Annual Meeting and Election of Officers of the National Security Traders Association held at Mackinac Island on August 28-30 was attended by a small group consisting of the Officers, Members of the Executive Council, National Committee and Chairmen of the various committees, all in compliance with the request of the ODT. I am keenly impressed with the serious tone that prevailed at these business meetings and have seen the NSTA grow to its present size in membership and leadership in the Securities Industry. I believe that I am qualified to offer observations because of my past and present association as a member of the official family of the NSTA.

Under the able leadership of the outgoing President, Mr. Edward E. Parsons, Jr., the association accomplished much for the membership and industry as a whole. It is impossible for the President of the NSTA to give out a detailed report on all of the activities and benefits brought about for the membership. The President and his co-workers have been unselfish and untiring in their efforts and have given many days of their valuable time at a personal sacrifice to themselves and their businesses in the firm belief that a better understanding can be had of exactly what the NSTA stands for, not only for those within the industry, but also for those who are the ultimate customers, both sellers and buyers in corporate and municipal securities.

By word of mouth, the press

Wm. Perry Brown

and radio, you have been posted on the more important parts that have have been taken by the President of the NSTA and his official family and Committeemen. It is not necessary today to call attention to these various important gains made for the members of the NSTA and the industry as a whole. The record speaks for itself as reported in the mediums stated and heard and read from coast to coast by all of us who are interested in the well being of the securities business and its high plane of business ethics. The byword "NSTA" today stands for justice and fairness to all and which has gained for the association an invitation from other organizations of the securities business, regulatory bodies, corporations, States, Municipalities and Federal bodies to sit in on important discussions, meetings and investigations. This is without a doubt an accomplishment that every member of the NSTA should justly be proud of.

My sincere appreciation goes to Mr. Edward E. Parsons, Jr., the outgoing President of the NSTA, and my fullest support can be expected as a member of the Executive Council to the President-elect and his official family. The membership is justified in placing their utmost confidence in these administrators towards an even greater NSTA.

Wm. Perry Brown

J. GENTRY DAGGY

Greetings to the National Security Traders Association's Election Meeting at Mackinac and

J. Gentry Daggy

heartiest congratulations to Tom Graham, the new president, who well epitomizes the "atomic force" within the organization.

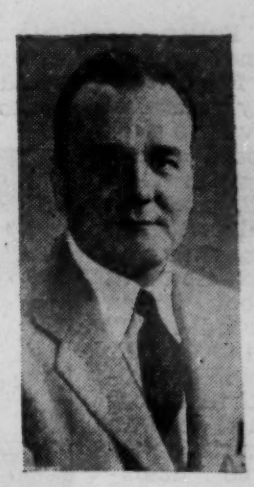
It is a matter of considerable satisfaction to earlier officers to find that interest in the Association and its work is not only well sustained but continues to grow with the passing years. There is a personal touch about this voluntary association of individuals that fills a niche entirely peculiar to itself. I feel that its worth in promoting the causes espoused in the constitution is beyond question or argument.

Let's look forward to the time when the lifting of travel restrictions will again enable us to rally 1,000 strong!

J. Gentry Daggy

(Continued on page 1142)

Presidential Greetings



Thomas Graham

The National Security Traders Association has a wonderful opportunity to be of service to our country and to the investment business in the post-war era and it is the fixed intention of your officers, members of the Executive Council and the National Committeemen to do everything possible to make the next year a fruitful one for our organization.

There is an old saying that "the test of a man is the fight he makes." Likewise the test of an organization is the fight it makes. With this thought in view, we hope that this administration of our organization will be an aggressive one and that the results will be helpful to all phases of the investment industry.

Your new administration will do everything in its power to further the best interests of the NSTA in the coming year. We ask for the help of our entire membership so we can accomplish the things that should be done.

Thomas Graham.

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Railroads in Peacetime

By PATRICK B. McGINNIS*

Railroad Security Expert, Commenting on the Disparity of the Dow-Jones Rail and Industrial Averages, Points Out the Defects in Using These Averages as a Basis for Judging Values. Calls Attention to Physical Progress Made by the Rails and States That They Will Be Enabled to Meet Competition, Though Earnings Will Decline in Post-War Period. Notes That Rails Have Been Paying Less in Dividends Out of Earnings Than Industrials and Will Be Relieved of Heavier Payments of Excess Profits Taxes. Stresses Reductions of Railroad Fixed Charges and Improved Management and Predicts Higher Post-War Dividend Payments. Analyzes and Gives Opinion on Various Groups of Railroad Securities.

"Railroad securities in peacetime" is what I am going to try to forecast to you today. Yesterday the Dow Jones industrial averages closed at approximately 172, and the railroad Dow Jones averages closed at about 55, a spread of 117 points. This would indicate that those who deal in securities believe industrial stocks can justify those prices and yet rail stocks by their price indicate that their period of success is over.

Patrick B. McGinnis

Without any intention of trying to belittle the Dow Jones average, in my opinion, it does not indicate the difference between industry generally and railroads, because in the first place the Dow Jones industrial averages have no stocks among the 30 that make up the averages that are not dividend payers. Every stock in the Dow Jones average has paid dividends for a long period of time. That is not the case in the railroad Dow Jones averages.

If we take the five railroad stocks in the Dow Jones averages, which have regularly paid dividends — the Pennsylvania, which has paid dividends for 98 years; Union Pacific, which has paid dividends every year since it was organized in 1895; the Norfolk & Western, C&O and L&N— the only time that any one of those five stocks have not paid a dividend was in 1933, namely the L&N. Those are our five regular dividend paying railroad stocks.

Yesterday those stocks closed at Dow Jones industrial average is a weighted average. If you go out today and buy one share each of the Dow Jones averages, they will not cost you $172; they will cost you $81.50. In other words, what you as an investor are interested in is: How much do I pay for the stock? The arithmetic method average of the stocks in the Dow Jones averages yesterday was $81.50, and the averages of the five regular dividend paying rails was 101. I am going to try to elaborate on this a bit and attempt to enlighten you a bit on this Dow Jones average.

As you know, it is constantly used against the rails, and has been used more so in the last week. **The railroads in peacetime are going to be so different, in my opinion, from the railroads before the European war started, in 1939, that there is hardly a resemblance, either financially or physically.**

Railroad Improvement

Since 1938, the railroads have spent about 2 billion dollars on their fixed plant. The main line of the American railroads today is in as good shape as it ever has been in history. The Diesel locomotive has been introduced in that period of time and it has revolutionized railroad motive power. The ambition of engineers on railroads is always to reduce grades because the steam locomotive had its limitations. For example, going from Boston to Mechanicsville, which is near Albany on the main line of the Boston & Maine, a railroad steam locomotive carrying a regular load would have to split the train three times to go over the mountains. A single Diesel pulled a regular load all the way non-stop from Boston to Mechanicsville. The "man hours" saved were impressive. Dieselization has also caused improvement in the older means of transportation, the steam locomotive. Last year the Pennsylvania built a new steam locomotive which Baldwin and the Pennsylvania claim has more improvements on it than have been made on the steam locomotive in 25 years. Then too, we may have a gas turbine and jet propulsion. A great majority of our steam locomotives are obsolete, and in my opinion, will be replaced. either by Diesel, improved steam, gas turbine or jet propulsion.

This is tremendously important, because it is one of our greatest costs.

Central Traffic Control

Another thing we did not have before the war was "central traffic control." Most of your trackage west of the Mississippi is single track. On the heavy density divisions, a freight train would be going along, another freight train coming toward it, and they would have to stop one train, manually throw the switch, go into the siding, wait, get out and throw the switch again. In the course of 200 miles they might have had to do that many times.

Several companies developed a method of central traffic control. Let's assume you have several trains running in a 200-mile section, all single track, several trains going one way and several the other. One man in a central control tower guides the entire movement of those trains within that 200-mile block, and trains meet and pass each other without stopping, enter the siding and go through.

That decreased transportation cost by large amounts. It has made single track almost as efficient as double track.

The corollary to that is that central traffic control can make obsolete one track of double track or two tracks of quadruple track. That was unheard of before the war. The War Production Board allowed only a very small amount of it to be built, during the war.

One of the heaviest costs in railroading is the maintenance of rails. Eventually a joint loosens and when a loose joint occurs one section is higher than the other. In the olden days when one rail in a joint became lower than the other, the danger of "snapping off' became present, and it became necessary to take that rail out, cut off the end, and put it out on a side track. Then in late 1940 a company developed "spot welding", and in 1941 it was developed to the point where the weld could be hardened suffi-

(Continued on page 1071)

*An address by Mr. McGinnis at the Annual Meeting of the National Security Traders Association, at the Grand Hotel, Mackinac Island, Michigan, Aug. 29, 1945. Mr. McGinnis is a partner of Pflugfelder, Bampton & Rust, New York City, members of the New York Stock Exchange.

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An Attack on Symptoms

By EMIL SCHRAM
President of the New York Stock Exchange

Mr. Schram, Noting the Recent Attention Focused on the Securities Markets, Contends That Stock Transactions Have Been Normal in Last Decade and That the Stock Exchanges Are as Anxious as Government to Avoid Repetition of Conditions Preceding 1930. Says Recent Margin Rules of the Federal Reserve Board Are an "Attack on Symptoms" and Asserts That Only Course to Pursue to Offset Any Inflation Potential Which Exists Is to Reach the Causes of the Problem.

As everyone knows, public attention for some time has been focused, to an unusual extent, upon the securities markets. Many persons, especially those engaged in the securities business, find this a little difficult to understand, considering the fact that market activity in the last two and a half years has been of no more than normal proportions; that is, if it can be said that there is any norm in the securities business. Certainly, the volume has not been of exceptional size when compared with the business that was done in our markets in the years prior to 1940.

Emil Schram

Here is the record of reported share volume on the New York Stock Exchange, together with the total number of shares on the list at the end of the year, from 1929 to 1944, inclusive:

	Reported Volume for the Year	Total Shares on List at Year-end
1944	263,074,018	1,492,277,716
1943	278,741,765	1,489,367,030
1942	125,685,298	1,470,502,630
1941	170,603,671	1,463,295,021
1940	207,599,749	1,454,761,737
1939	262,029,599	1,435,404,562
1938	297,466,722	1,424,252,369
1937	409,464,570	1,412,002,738
1936	496,046,869	1,360,349,902
1935	381,635,752	1,317,847,662
1934	323,845,634	1,305,421,004
1933	654,816,452	1,293,299,931
1932	425,234,294	1,311,881,157
1931	576,765,412	1,318,729,621
1930	810,632,546	1,296,794,480
1929	1,124,800,410	1,127,682,468

The question often is put to me: Why is it that the stock market, whenever it becomes at all active, attracts so much public attention? I do not have the answer. I would guess that one explanation lies in recollections of 1929.

In spite of the fact that any increase in market activity brings well-intentioned but unsound suggestions for further restrictions on our market, the New York Stock Exchange and other units of the securities business are fortunate in that they are exposed to close public scrutiny and interest.

The New York Stock Exchange and other securities organizations, for very obvious reasons, are more anxious than any government agency or other organization or group, to prevent a repetition of 1929. It is well to keep in mind the experiences of 1929 because a repetition of those experiences would be disastrous. We may be reasonably sure that many of the abuses of the 1920's will not recur. I say this because manipulation has been outlawed and because the Federal government today has the power to prevent excessive use of credit in our markets.

No one can say, with certainty, that we will or will not have another season of speculative excitement. We do know, however, that there has not been, in the recent past, and that there is not now any widespread margin speculation such as we witnessed in the 1920's.

The New York Stock Exchange and the Federal Reserve Board have proof of this. At the request of the Board, which has authority to fix margin requirements, the Exchange recently asked its member firms to report the total of open margin accounts on their books. The total of all such accounts, as of June 30, 1945, was only 137,752. The most recent previous comparable figures available are for the end of November, 1938, when the total of open margin accounts was 256,504. The Federal Reserve Board did not have this information as to the number of open margin accounts when it promulgated, on July 5, a rule increasing margin requirements from 50% to 75%.

The Board did have information, of course, as to the amount of credit being used to finance securities transactions. This information, reflected in the record of brokers' loans and debit balances, does not indicate any excessive use of credit. The question arises, therefore, as to the Board's purpose in increasing margin requirements at this time. A spokesman for the Board was quoted in the press as saying that it was hoped that the increased margin requirements would act as a quieting influence on the market. I take this to mean that the Board expected that the action might reduce public participation in the market or that it might restrain prices. Whatever the purpose, the step is an attack on symptoms. Unfortunately, the gesture may lead people to believe that it is a realistic effort to prevent inflation. It is not realistic in any sense. I realize that the Federal Reserve Board is concerned over the inflationary potential which exists, but I feel strongly that the only course to pursue is one which would reach the root causes of the problem.

Railroads in Peacetime

(Continued from page 1070)

ciently to adhere to steel. Now when you get a joint like that, a maintenance man goes out with a gadget and shortly the joint is restored.

Another thing that has been developed since the war is the Sperry car for detecting fissures in rail. One of the greatest causes of wrecks and one of the greatest headaches to the railroad engineer is that steel, under certain temperatures and pressure will fracture. It just shatters like sand.

If you bought 20 miles of rail, let's say, in 1940, and you developed four or five fissures in it, in normal times the alarm was so great that the entire 20 miles of rail would be taken up. In 1940 and 1941 the Sperry people developed this car. Now you hire this car, or you buy one. It goes along the rail and when it discovers a fissure in the rail it dumps a bit of whitewash and they take the rail out. That one operation alone has cut the cost of rail maintenance about 50%.

Passenger Business

Another tremendous change in peace time will be the passenger business. Ordinarily the railroads lose millions a year carrying passengers. In my opinion, the cars which were offered to you for travel were not fit, ordinarily, for human occupation; yet the railroads were forced to run them.

The revolution that is going to occur has already happened to a considerable extent on the Rock Island. The Rock Island management, rightly so, said, "If we must run these trains, let's give the public something to ride in." They now are approaching the point where about 50% of their passenger trains are the streamlined, air-conditioned Rockets. They were making money on them—even before the war, and I believe they will after the war.

In my opinion, all the passenger cars which existed in 1938 and 1939, with the exception of the streamliner cars, should be dismantled and "junked," as should be the Pullmans of ancient vintage.

I believe the railroads should eventually introduce a rate of a cent a mile with air-conditioned streamlined trains, all coaches with reclining chairs, and recapture a great deal of the business which they lost to the busses. Frankly, I don't think the busses will care very much, because they have found out that their profit is in "short haul" travel rather than "long haul."

I think the air lines will take the major portion of the Pullman business, and I rather hope they do, because, in my opinion, the railroads lose money on the "long haul" Pullman business. In the second place, the air lines tell us they are going to get the rate down to 3½ cents a mile. It's 4½ cents now. I question whether you will travel by Pullman at 3¼ cents, when you can travel by air at 3½ cents.

Therefore, I have hopes that over the next four or five years the equipment which the railroad offers will bring back to the rails sufficient business so that the railroads will at least break even, which means a gain of millions in net income.

Better Railroad Management

Almost all railroad management has changed in the last decade, or will change over the next two or three years. In my opinion it has been for the better in most cases. In any event, railroad management is now conscious of the fact that they have nothing to sell but service, service to the public, and the public is going to uses the service which they prefer regardless of arguments about subsidization.

On the question of stability, the railroads are a service industry, and they are as stable as industry generally. Competition with trucking and bus services in peacetime will be regulated by the ICC and by the labor unions. Even before the war the truck operating ratio was up to around 96% and unless the working rules are changed, gas taxes reduced, and rates increased, I doubt if private money will ever again try to finance trucking companies.

Prospective Reduced Costs

On the question of excess profits, the railroads were hit the worst; far worse than any other industry.

In 1944 Atchison paid in excess profits tax alone, $48 per share. To mention a few more, the Coast Line paid $39 a share; the Nickel Plate almost $50 a share; the Illinois Central $26 and the Union Pacific, $47 a share.

In addition to that, in 1944, in overtime payments, the figures were somewhat astounding. There again, Atchison paid, last year, in overtime, $10 a share; Chicago North Western, $11 a share; Nickel Plate, $18 a share. Those that were hit the hardest by EPT will gain the most by the repeal of EPT. If we know anything about taxation, we are going to get the complete repeal of EPT. Otherwise there will be no incentive in this reconversion period to actively engage in business.

Before the war, railroads were under industry generally in wage payments. Now they are over industry generally. Before the war they were not competitive with Dow Chemical and duPont, Allied Chemical and General Electric. Railroad workers were underpaid in relation to industry generally. Now they are above the average for industry. So the rails are no longer in that vulnerable position. Personally, I think prices and wages are going higher. I see no other way of servicing 300 billion dollars worth of debt. **Therefore, I expect higher wages on the railroads, and likewise higher rates.** There is no reason why the railroads can't get higher rates if the automobile companies are going to be allowed to charge substantially more for cars than they did before the war.

After the last war, we had somewhat the same situation. We had wage increases, between 1920 and 1930. Now that all transportation is regulated, rails will not have to worry about raising rates because we might lose business to competitors. If railroad rates are raised, trucking rates will be also.

(Continued on page 1134)

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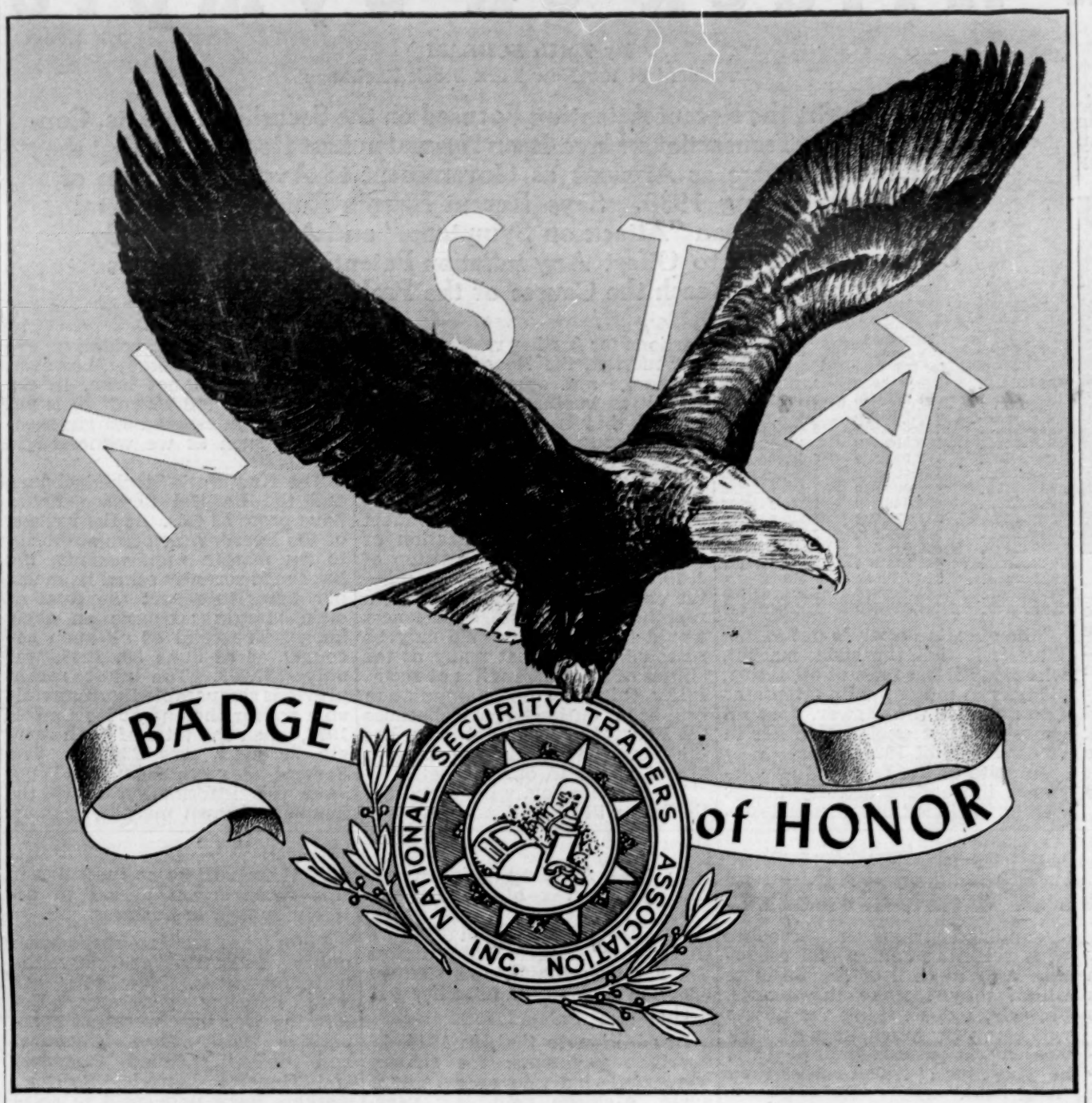

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(Continued on page 1143)

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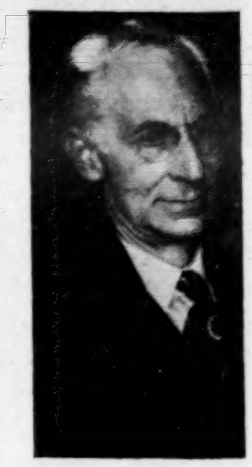
Expanding Post-War Investments

By A. M. SAKOLSKI

Dr. Sakolski Points Out That There Has Always Been Increased Investment and Speculation Activity After Our Major Wars, and That, in Line With Our Past Progress and the Spirit of American Enterprise, Increased Investment Will Follow This War Unless It Is Prevented by Stifling the Spirit of Risk Taking Through Governmental Restrictions and Paternalism. Sees Probability of Growth of Properly Regulated Investment Trusts and Real Estate Participation Ventures as Well as Renewal of Foreign Investments. Urges That Both Investment Dealers and Traders as Well as the Public Be Better Educated in Investment Principles.

Every American war has brought in its wake an expansion of speculation and investment. Even after the Revolution, more than a century and a half ago, when so-called "finance capitalism" was in its infancy, there was a distinct and widespread awakening of speculative enterprise and an unprecedented indulgence in risk taking ventures. Not only were the trade and shipping projects which were interrupted by the war renewed and expanded, but new fields of material gain were sought after. Corporations were then almost unknown in America, and existing securities comprised the state and federal debts, which were either non-interest bearing or in default. Yet these, along with wild lands, soon became a pronounced and active field of speculative and investment activity. It was in this period that Americans first gained the world wide reputation of being venturesome speculators and unconscionable seekers after pecuniary gain. And it was in this period, when Government bonds and bank stocks were first publically dealt in, that a securities market was born in the Western Hemisphere. The first organization of the New York Stock Exchange on May 17, 1792 is evidence of all this.



A. M. Sakolski

The Post Civil War Expansion

There was much the same development after later major wars. Following the War of 1812, manufacturing ventures, as well as canal, turnpike and mining projects received a sort of violent stimulus, and new bonds and shares were widely distributed among the population. But it was not until after the Civil War that trading in the securities of all sorts of ventures became a fashion, and dominated the American spirit for gainful enterprise and risk taking. The field of investment was broadened and diversified. It comprised not only lands, urban real estate, banks and railroads, but spread into public utilities and industrial concerns. It was at this time that the great industrial "trusts" were born and developed rapidly—expanding into all sorts of undertakings, from whiskey production to rope making. Securities markets and securities trading sprung up in many localities and have been maintained in all the leading population centers throughout the nation.

World War I Aftermath

Following the first World War, as many now living know, there was another outburst of speculative fever, and the field of investment was still further broadened. What happened then hardly needs recounting. But, in line with the optimistic and progressive spirit of American enterprise, it was in the very nature of things. Nothing else could have been expected—and repression would have been fruitless and detrimental to the national spirit. As time progresses and the individual becomes possessed of increasing wealth, the spirit of risk taking among the population does and should become more widespread. So, it was no abnormal phenomenon to see a larger proportion of the ordinary people than ever before buying securities and indulging in speculations with their surplus funds. The sale of Liberty Bonds to millions of the people may have been partly responsible in stimulating this movement.

Now, we will soon have another aftermath of a victorious war! Will the public seek new fields for the investment of funds? Can the spirit of striving for greater wealth be subdued? Can speculation be curbed? If abated in one field will it not crop out in a new direction? Will we have another Florida boom? Will Americans, if curbed in speculative activities at home, seek "easy money" abroad? Or will the whole spirit of venturesome enterprise be so stifled by restrictions, regimentation, pensions, doles and other bureaucratic paternalism that the population will be led into the serfdom of economic complaisance, looking merely to government to take care of their material welfare, their provision for old age and their

(Continued on page 1140)

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Medium and Low Priced Shares Outlook

By L. D. SHERMAN
L. D. Sherman & Co., New York

Mr. Sherman Holds That With Prospects of Expanding Corporate Earnings, Investment For Appreciation, Rather Than For Fixed Return Offers Greater Advantages, and That There Are a Great Many Smaller Corporations Whose Securities Offer Opportunities for Substantial Profit

The dramatic war years, culminating in triumphant victory, have drawn to a close. We have sacrificed much in life and treasure, yet with all our prodigious expenditures, our economy rests on a far more solid basis than that prevailing prior to our entry into the war.

Lee Sherman

Much has been said and written about our transition from a war to a peace basis. We find no basis of fact for many of the dire prophecies of unemployment and post-war depression. True, there will probably be some unemployment during the period of adjustment, necessitating relocation of labor. Pending retooling, there may be a temporary decline in the volume of business and in the velocity of bank deposits. Yet these are transient considerations. Of far greater import are the well defined prospects for a volume of peace business which will dwarf any peace period in the history of the United States.

Let us be realistic: our currency in circulation has grown from about five billion dollars to almost twenty-four billion dollars. Our public debt has expanded from about thirty-two billion dollars to close to three hundred billion dollars. The potential amount of credit which can be made available is for practical purposes without limit. The resources of the individuals as evidenced by savings bank deposits and life insurance, have increased to a volume never before attained.

Industrial requirements for restoration of capital assets, for installation of and addition to plant and equipment are greater than ever before. Railroad equipment, way and structure is in urgent need of replacement. The building industry is on the threshold of the greatest expansion in a decade. In every field of industry, technical progress and new products insure a large consumers' demand. In brief, our domestic market for goods and services promises to become the envy of the world. All this, together with the proposed downward adjustment of the corporate tax structure, augurs well for an extended period of sustained prosperity.

The problem of the investor is —of course—the application of the promising economic outlook to his own advantage. Except for restricted or institutional purposes, investment for appreciation, rather than for fixed return, seems more advantageous on the eve of a period of expanding corporate earnings. Numerous corporations have reduced or retired their funded debt and redeemed their preferred stock until their common stock is their sole capital obligation.

There are, of course, thousands of common stock issues and the choice of proper media is of paramount importance. Stocks of larger, well known enterprises occupying a leading position in their respective industries are selling at prices reflecting their popularity. There are, however, a great many smaller corporations not well known to the general public whose securities are in the so-called "medium-price" category and it is in this field that relatively greater opportunities for profit may be found. The small capital structure of these enterprises and the anticipated substantial increase in their earning power provides an important factor of leverage. Medium and low-priced common stocks merit the investor's serious consideration.

While indiscriminate speculative purchases are not recommended, it is our considered opinion that a portion of available funds be diverted to the investment in medium-priced and low-priced common shares.

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Future American Foreign Investments

By THEODOR M. VOGELSTEIN

Mr. Vogelstein Noting That Though Many Americans Seem to Dread Investment Abroad, Asserts There Will Be a Necessary Trend for the Richest Country, Like the Rich Individual to Seek Investment With Surplus Funds. Points Out That, as in Private Finance, Successful Foreign Investments Need Not Require Redemption or Liquidation by Transfer of Funds, Since a Rich Nation Does Not Wish to Repatriate Its Capital. Argues That Great Britain Will Be Able to Recover and Again Become a Creditor Nation, and That the Best American Opportunities for Investment Will Be in Great Britain and Western Europe.

I

There is at present a curious contrast between the American and the British attitude toward foreign investments. The British are worried over the great decrease in foreign holdings which they were compelled to give up as part payment for their unfavorable foreign balance during the war. They had to do the same in the first World War. But during the inter-war period until 1931 they had tried with a remarkable, if not a full, success to reestablish their old position as international creditors and investors. Despite some former Keynesian theories, the English are longing for the day when their foreign holdings and foreign liabilities will again be in balance.

Theodor Vogelstein

A great number of Americans seem to dread the idea of becoming the great creditor nation and the foremost holders of investments in many countries. It is similar to a phobia one may have to assume the role of the rich man. Or one could compare it with a man sighing how happy he was when he earned $50 a week and when he borrowed $5,000 for his first business, while he now had to worry over his investments and his income tax and even the inheritance tax his estate will have to pay. But the poor rich fellow cannot help it. He must go on worrying whether he invests in bonds and shares which may go down, or leaves all in bank balances of dollars which may be devalued or may at least lose in purchasing power by a general rise in prices — or if he hoards gold which the Government may seize.

Nevertheless, he is striving and flourishing with his worries even if his broker disturbs him during his trip to California at 7 a.m. with the news that Kalamazoo Thunderstorm shares have opened 10% up and he ought now to decide whether to sell or to hold on.

In our days long-term credits or investments are normally not given for consumption purposes. But under certain conditions such consumption credits may be unavoidable in order to sustain or restore the health and the power to work and thus may be indirectly production credits. However, leaving out these consumption credits, one has to suppose the investment of capital, if not misdirected, should provide not only for replacement or depreciation but also to yield above that a surplus. In other words, the debtor should have the means to amortize the loan (or capital) and also to pay interest or dividends.

But supposing his business needs or warrants increasing investments for some time to come, he can pay only interest and amortization by new borrowings or new capital issues or by asking his creditors or shareholders to leave not only amortization of the loan but even the interest and dividends in his business for ploughing back.

This may be effected by various methods. The entrepreneur may simply not pay dividends and will keep all profits and certainly depreciation in his business irrespective whether he issues additional shares or not.

Thus the Sun Oil Co. now paying only a token cash dividend to its shareholders, and yielding to its stockholders much less than Government bonds, is a good example of a big concern acting in that way. Certainly, if there were no taxes, they could just as well pay out all profits and increase the capital by new issues; or if there were no private shareholders and no fear of undistributed profit taxes, they could stop all dividend payments as long as the business needs the amount and can profitably employ additional capital.

All growing industries or growing businesses, whether conducted as public companies or as private firms act that way in the period of development. They make profits, large profits, but they are unable to pay them out, unless they make complementary capital additions from other sources. Otherwise, the "transfer" of profits to the capitalist—the domestic capitalist—would restrict the profitable enlargement of the business.

II

There are at present two theories existing in the United States as to foreign investments, both of which, in the opinion of this writer, do not fit present conditions. The one holds that, with the return to orthodox finance, sound monetary policy and comparatively free trade, every debtor country will automatically be able to pay interest or dividends and also the capital refund to the creditor nation.

The other one considers any foreign investment as dubious and more or less lost beforehand if the debtor country cannot prove its ability of repaying the investments by its exports to the United States.

Both approaches do not seem realistic. The optimistic opinion, while only partly correct, for the long run overlooks the plight of the war-torn European nations which will not automatically produce any export surplus (including "invisible" exports) within a few years, at least not without severe Government restrictions on consumption and quick rehabilitation. They will not produce such export surplus in the near future, and they should not, if we wish the world to reach some kind of normalcy in a short time.

Redemption in any case could not start for some time to come and even interest will have to be paid by additional borrowings for the first few years. This, anyhow, is nothing unusual and unheard of, since it conforms to early periods of development in "colonial" and similar countries. In this connection, we may leave the question open whether or not the American tariff would allow the debtors to send enough goods here for interest and liquidation.

Certainly this does not mean that the individual enterprise, i.e., a power station or a steel plant, should not be amortized; the only question is whether or not this amortization is transferred or reinvested in the same or some other enterprise of the debtor country.

The pessimistic theory is still less realistic, even if the facts it presumes are correct not only for the years of transition but for decades to come. The whole idea that credits and investments ought to be repaid and liquidated and that interest and dividends have actually to be transferred from one country to the other, shows that the protagonists of this doc-

(Continued on page 1113)

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The Post-War Pattern of American Banking

By FREDERIC EDWARD LEE
Professor of Economics, University of Illinois

Dr. Lee Analyzes the Proposed Possible Changes in Banking as (1) Resort to 100% Reserve Banking as Put Forward by Professor Irving Fisher; (2) the "Eccles Plan" of Fluctuating and Varying Regional Reserve Requirements; and (3) the Complete Nationalization of Banking and Credit as Contained in the Program of the British Labor Party. Points to the Large Commercial Bank Holdings of Government Debt as a Motive for Nationalization of Banking and Elimination of the State Banks and Warns That When Banking and Politics Mix "It Is Always Bad for Banking." Sees More Government Control Ahead.

What lies ahead for American banking in the early post-war period? Will it be "100% Reserve Banking," with the Government doing all or most of the lending? Will bankers be civil servants working for the Government in a government-owned commercial banking system? Shall we lose our **dual system** of banking, which, in a sense, has characterized American banking for 155 years since the First Bank of the United States was superimposed upon the three or four state banks then existing in 1791? Shall our system provide for more or less branch banking in the post-war era?

Dr. Frederic E. Lee

He would be a bold prophet, indeed, who would attempt to give a categorical or final answer to these questions, but the answer to them is so important and vital to our free enterprise banking structure that, before the things involved come to pass, the possible results and consequences ought to be faced squarely and considered carefully. The apparent apathy of the public generally to many of these questions needs to be eradicated by the creation of an educated public opinion after the facts of the situation are carefully weighed.

Public Opinion on Banking Is Inarticulate

The real difficulty in the matter lies in the fact that public opinion on banking is unorganized and inarticulate. With the great mass of the people — the rank and file—there is altogether too much indifference to what happens to our banking system. Bankers themselves have been hesitant to speak out as many of them have been far too much intimidated by the demogogic crusade against them in the early 'thirties. They remember too well their days in the "dog house." Even in the recent hearings on the Bretton Woods proposals when organized bankers expressed themselves through the American and the New York Bankers Associations, some of the old familiar epithets were hurled against them.

In a period such as the present it is not enough to say that the public does or does not want any of these developments in banking to take place. If an educated or enlightened public opinion wants 100% reserve banking or government-owned and controlled banking, then the public can ultimately get what it wants. What is needed now is that these questions should be considered dispassionately in the light of cool reason and reflection, while there is still time to consider these matters before they become **fait accompli.**

Votes in a public election do not adequately reflect public opinion on an economic issue, and the same might be said for votes on the floor of Congress. Attempts were made a few years ago to get at a more intelligent method of arriving at the nature of public opinion on certain economic questions than that of interpreting votes in an election as a real expression of public sentiment. A "Statistical Survey of Public Opinion" was made by the National Industrial Conference Board. Twelve thousand editors of newspapers and farm journals were asked a series of questions regarding the public attitude, as they interpreted it, toward current economic and social problems in their communities. Five thousand and fifty replies were received. One of the questions asked was, "Does public opinion in your community favor government taking over the banking system?"

In the 5,050 returns made, 4,756 replies were made to this question. Of these replies, 1,691 were favorable to the government taking over the banks of the country; 2,839 were opposed, and 226 were doubtful. These figures represented educated public opinion at least on the part of the editors replying. They had probably given much more thought to such questions than had the majority of their readers. Put on a percentage basis, these figures mean that in 36% of the communities represented in the survey, public opinion seems to favor government ownership and/or control of banking. Only 59.7, or roughly 60%, of the communities were opposed to such action, whereas 5% were listed as doubtful. These 4,756 replies to the question were from editors with a combined circulation of 22,744,000 papers. On figures given, again reduced to a percentage basis, 39%, or newspapers with a circulation of 8,842,000, were favorable to a government control of banks; roughly 53%, or those with a circulation of 12,153,000, were opposed, while about 8% were listed as doubtful. This was the considered judgment of the editors concerned as to what would be the sentiment of their readers at that time on this important question. Heated controversy and bitter partisan propaganda might easily warp or mold public sentiment on such a question one way or another.

What of 100% Reserve Banking?

One Hundred Per Cent Reserve Banking, as defined by its advocates, may take one of two forms. In either form it would tend to revolutionize present banking practice. Perhaps the plan that is most familiar is that embodied in Professor Irving Fisher's **"100% Money,"** published in 1935. This plan would require all banks to hold 100% against their demand deposits—"checkbook money," as Fisher calls is—in the form of Currency Commission or United States inconvertible notes. No loans could be made or credit extended in any form from these deposits. To get the Currency Commission or other notes the banks would turn over to the Commission enough of their bonds or other assets to bring their reserves up to 100% of their checking deposits. There would be no more "derivative deposits," i.e., deposits which arise out of the process of extending credit. Capital loans could be made out of savings deposits, which, according to Fisher, would have to have only 3% reserves, which was the old traditional reserve on time and savings deposits in the Federal Reserve system prevailing at that time. The bankers could lend their own money—their capital resources — as short term loans, but presumably beyond that Government lending agencies would

(Continued on page 1084)

Entrance to the
"MARKET PLACE *of the* MIDDLE WEST"

Social Credit In Alberta

By JAMES E. LE ROSSIGNOL
Dean, University of Nebraska, College of Business Administration

Professor Le Rossignol Tells the Story of the Social Credit Party in Alberta, Can., and the Legislative Efforts to Put Into Practice the Theories of Major C. H. Douglas. He Shows Why the System Failed and Recounts the Constitutional Difficulties Which Finally Resulted in Its Collapse. Says Social Credit Party Still Survives, and That With a New Debt Refunding Program, Alberta Is on the Road Toward Financial Rehabilitation.

During the depression of the Thirties, the provinces of Saskatchewan and Alberta suffered more than the rest of Canada because of the low price of wheat, expensive transportation, drought, frost, hail, insect pests, and debt; so it is not surprising that various forms of radicalism have flourished there. Saskatchewan has turned to the pink socialism of the Canadian Commonwealth Federation, and Alberta has experimented with Social Credit under the leadership of William Aberhart, B. A., sometime schoolmaster, who for years carried on religious and political activities as Dean of The Prophetic Bible Institute and Premier of the province.

J. E. LeRossignol

Wm. Aberhart had been using the radio for his evangelical broadcasting since the year 1926 and when, several years later, he became a convert of the Scottish engineer, Major C. H. Douglas, he began to teach his large following and many others the new gospel of social credit. Presently Mr. Aberhart became the acknowledged leader of the Social Credit Party and when they won the election of Oct. 14, 1935, they found him a seat and raised him to the Premiership, which office he retained until his death on May 17, 1943.

The main point of the Douglas doctrine is that, under the present economic system, there is necessarily a current deficiency in buying power as expressed in the "A" and "B" theorem, "A" being wages and "B," other costs of production. But inasmuch as "A" is assumed to be the whole of buying power, it can never be large enough to buy goods which cost "A" plus "B," and, therefore, new buying power must be introduced to make up the shortage.

The theory surely is unsound, as rent, interest and profits are part of the national money income and, as such, are buying power, even as wages. Then, too, Major Douglas, in advising the continual issue of new buying power, has set himself an insoluble problem: to find artifical buying power that does not come from taxation or from borrowing and will not lead to inflation.

In justice to Major Douglas, who has been blamed for the futile experiments in Alberta, it should be said that in his report to the Government in June, 1935, he expressed doubts as to the success of Social Credit in the province because of constitutional limitations, the rock on which it was later wrecked. It should be noted also that Douglas wished to regulate prices downward and compensate the producers by issues of irredeemable currency, whereas the farmers of Alberta wanted higher prices.

In Mr. Aberhart's "Social Credit Manual," published before the election of 1935, he gave an exposition of his own scheme, of which the chief features were basic dividends, non-negotiable certificates, the unearned increment levy, and price control.

The promise of basic dividends which, together with bitter denunciation of the banks and other money lenders, won the election, was for monthly payments of $25 to every bona fide citizen and smaller payments to minors, to secure for them the bare necessities of life as part of the "cultural heritage" and to make up the shortage of buying power.

These dividends were to be paid in "non-negotiable certificates" issued by a Provincial Credit House and backed by a levy of 5% on the "unearned increment," the price spread between the cost of commodities and their selling prices. As the buying power of the certificates would expire at the end of the year following receipt of them, Mr. Aberhart believed that they would circulate rapidly—at least twelve times a year—and that the levy would yield as much as $120,000,000 for the payment of basic dividends.

The Scheme in Action

The scheme of Mr. Aberhart was not strictly followed after the election, but in April, 1936, the provincial legislature passed the Social Credit Measures Act designed "to bring about the equation of consumption to production and thus to ensure to the people of the province the full benefit of their association."

Under this act the Government during the summer issued about $262,000 in "prosperity certificates," otherwise known as "scrip money" or "rapidity dollars." These certificates were paid out as part wages to laborers in relief work and for other government expenses and were expected to circulate rapidly as the holders were required to put a one cent stamp weekly on every dollar bill which, in the course of two years would provide a redemption fund of $1.04. This, to be sure, was not a Douglas scheme, but part of the rapid money plan of Silvio Gesell.

As the affixing stamp was really a sales tax in every transaction, and as the certificates were not receivable for taxes, nor welcomed by the banks, nor accepted outside the province, and as the legislators declined to take them in part payment of their salaries, their circulation was limited and brief. The Government, therefore, provided for their redemption and finally, in April, 1937, decided to abandon them altogether, and to redeem those outstanding—approximately $12,000—at their full value. Naturally, many of them have been kept as souvenirs.

The same act provided for the creation of the Alberta Credit House, a provincial bank under the Treasury Department with power to establish branches, receive deposits, and make loans without interest in non-negotiable certificates.

The act also provided for a system of voluntary registration under which about 350,000 persons are said to have registered as the first condition of receiving the long awaited basic dividends and as a preliminary step toward the price-fixing system. In thus registering, for example, a farmer agreed to sell part of his crop for credit certificates, when called upon to do so. Similarly, employees agreed to take part of their wages in certificates and merchants agreed to accept the certificates and deposit them with the Credit House.

The Credit House did not long operate according to plan, but it still exists, with some 34 branches and deals largely with the cooperative associations, as well as with individuals, has deposits of about $20,000,000 and does something more than 10% of the total business of the province. It makes loans in actual cash at from 3½ to 5% interest and is said by its friends to have brought about a reduction in the taxes charged by the chartered banks.

As might have been expected, registration did not provide the desired dividends, but the impatient registrants, many of whom were debtors, were placated later by the Provincial Securities Interest Act of June, 1936, and the Reduction and Settlement of Debts Act of September. By the former law interest rates on provincial bonds and government guaranteed securities were cut from an average of 4.89% to 2½% and the right of access to the courts was denied to the creditors.

By the latter act, which applied only to farmers and resident home owners, in case of debts incurred before July 1, 1932, interest was wiped out from that date and later payments were to be applied to the reduction of the principal. New debts also were scaled down. This act also gave power to the Lieutenant-Governor to declare a moratorium, not only as to past debts, but as to future debts as well. The only relief granted to the necessitous creditor, the forgotten man, was that he might apply to the Debt Ad-

(Continued on page 1118)

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The Future of Postal Savings

By LOUIS HOUGH
Associate Professor of Economics, Miami University, Ohio

Professor Hough Recounts the Advantages of Postal Savings Banks as a Means of Encourging Thrift and Securing the Safety of Small Savings, and Estimates That It Is More Profitable to Holder if Postal Savings Certificates Are Held Less Than Six Years Than if Same Funds Are Invested in E Bonds. He also Compares Postal Savings With Commercial Banks, Thrift Accounts, and Though Admitting Latter Has Many Advantages to the Depositor, Holds That the Postal Savings System Should Still Entice Many of the Public. Notes Sporadic Growth of Postal Savings and Concludes That at This Time the Political Atmosphere Might Be Receptive to Abandonment of Postal Savings.

Special Advantages of Postal Savings

Why does anyone have a savings account in a commercial bank? This is a real question and deserves a careful answer. Postal savings pays 2% simple interest, war bonds pay 2.9% compound interest, and a few insured savings banks or building and loan associations are still trying to pay 2½ or 3%. Historically a commercial bank could offer better rates of interest, but those days are not likely to return in the visible future. The continued attraction of savings to commercial banks must be explained by their extra services, their convenience, and the habits of their customers.

Louis S. Hough

In addition to the 2% yield on postal savings the depositor has maximum safety, and immediate liquidity for small amounts. For large withdrawals, overnight notice is enforced. A number of other special services are offered. The post office is open more days in the year than banks and other savings institutions. It is open longer hours per day. Postal savings stamps, which carry no interest, are sold for ten cents. When a card of ten such stamps has been completely filled it may be exchanged for an interest bearing certificate. This arrangement is convenient for impulsive savers, for the lower income brackets, and for children.

Comparison of Postal Savings and Series E Bonds

War bonds and postal savings are equally secure, and have now been made equally liquid. The chief difference is in the yield. The interest paid on war bonds runs somewhat lower than 2% for the first six years. These bonds pay 2.9% only if they are held to maturity. Figure I shows the relationship between the amount accumulated and the number of years the investment is held. The postal savings system does not issue interest bearing certificates for any amount less than one dollar, but for purposes of comparison it seems most appropriate to calculate 2% interest on $18.75, since this is the original investment in a $25.00 war bond.

It becomes clear that it is more profitable to buy postal savings certificates if they are to be held less than six years, but more profitable to buy defense bonds if they are to be held longer. When the postal savings account is compounded annually (as is permitted) it grows slightly faster, but this adds only 36 cents over the ten years. Either form of investment helps the war effort as much as the other, and each is unquestionably safe.

Advantages of Saving in a Commercial Bank

In the first place, a commercial bank can offer credit standing to its depositors. If letters of reference and occasional small loans are important, there is considerable advantage in keeping the savings account in a bank. The post office does not supply credit references for its depositors and will not lend them money. The bank is much more likely to make funds available when disaster strikes.

One major disadvantage of the postal savings system is the difficulty encountered in getting the money out when the depositor suddenly dies, or becomes incapacitated. These funds may be greatly needed to help meet the emergency which has arisen, but their availability is delayed until the full term of the legal administration of the estate.

No one may have more than one postal savings account, and joint accounts are not permitted. Societies, partnerships, corporations, associations, and other groups may not open accounts, nor children younger than ten years of age. No trust accounts may be set up up to take care of young or incapacitated beneficiaries.

Families sometimes keep their postal savings in two or more accounts. There may be one for the father, one for the mother, and one each for the children older than ten. There is no loss of interest involved, and such an arrangement makes it possible for the household to save more than the $2,500 limit. Still more important, some emergency funds can be withdrawn by the dependents in case of the incapacity or death of either or both parents. But there is a great deal of inconvenience involved in sending all these persons to the post office to open accounts. Privately owned banking facilities present no such problem.

Most private banks compound the interest automatically, while in the case of postal savings it is necessary to make a trip to the post office during the right month, withdraw the interest and redeposit it. This is permitted only once during each twelve-month period.

The availability of commercial bank savings may be legally deferrable for 30 or 60 days, but few banks find it necessary to ask for any advance notice at all. In effect, commercial bank liquidity is immediate, and the legal regulations concerning notice of withdrawal could be removed at any time. Few depositors know they exist.

When the limit of $2,500 is reached the post office can offer the depositor government bonds. This is a fine thing during the dangerously inflationary war period, but in the post-war world the investment councilling services of the banks may again become highly valued. Banks also handle government bonds, and are able to suggest somewhat more remunerative securities in addition. Higher yields are likely to be attractive to individuals wealthy enough to save amounts running over $2,500.

Privately owned banks try to be courteous, considerate, and flexible, since they value customers' good will. Post office employees typically meet the special needs and requests of depositors by adhering impersonally to the letter of the Federal regulations. Enactments and precedents make such employees personally liable for any deviations from standardized procedures. In a bank some administrative official would be available for consultation.

Some depositors will prefer the commercial bank savings department because they must go to the bank in any case to cash their checks. Postal savings requires customers to carry dangerously large amounts of currency to and from the windows. Within the safety of the commercial bank building the customer can shift funds from savings to checking accounts. Safe deposit vaults, traveler's checks, cashier's checks, bank money orders, and other services are readily available. For

(Continued on page 1099)

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The First Year After World War I

A Retrospect Of The Year 1919 As A Guide To Post-War Planning By Investors, Industry, Banking, Finance, Government and Labor

[Since V-J Day there has been such a widespread demand for copies of the "Chronicle" in which this review originally appeared that it is being reproduced in full in this issue.—Editor]

After World War I was formally ended with the signing of the Armistice on Nov. 11, 1918, our economy was confronted with the necessity of absorbing the 2,000,000 men in the armed forces in France and the 2,000,000 additional ones in training camps in this country—We had to contend with lay offs brought about by the cessation of the manufacture of munitions and other special work incidental to the prosecution of the war—Then, too, while the war was in progress our domestic economy was subjected to widespread dislocations as a result of the controls and restraints imposed on business and industry by the Administration—The nation is now undergoing even more radical changes in its fundamental structure than was the case in World War I—For this and other reasons, we believe it very timely and pertinent to present now a review of the situation which prevailed on the "home front" during the year 1919, the first year after the previous conflict. The record for that period as it appeared in the "Chronicle's" Financial Review is reprinted herewith:

The year 1919 was in many respects, and perhaps it would be entirely accurate to say in all respects, a distinct surprise. Certain it is that the year as a whole belied all its early indications—the trade and economic indications which were so conspicuously in evidence when the year opened. The negotiations between the Allied and Associated Powers for the purpose of imposing terms of peace upon the Central Powers, and more particularly Germany, were very protracted, being prolonged far beyond expectations, the course of the negotiations not always running smooth or placid. It was not until May 7 that the Treaty, as framed by the peace conferees and embodying the terms upon which the Allied and Associated Powers were willing to conclude peace with Germany, was handed to the German plenipotentiaries at Versailles, not until June 28 that the Treaty of Peace was actually signed at Versailles, and not until January 10 of the new year (1920) that the certificates of ratification were exchanged putting the treaty into effect which formally terminated the war.

Joseph P. Tumulty
Pres. Wilson's Sec'y

Not only that, but from the very first there was strong opposition to the Treaty in the United States. The opposition arose, not because of objections to the terms of peace imposed, but because the Treaty included a Covenant for the organization of a League of Nations, with practically perpetual and unlimited powers over its members within the scope laid down. The objections urged against this League of Nations were that it would involve virtual abandonment by the United States of the Monroe Doctrine, that it would deprive the country of sovereignty over its own affairs on critical occasions and that, instead of insuring perpetual peace to the United States, it would embroil this country in all European troubles and would thus be a flagrant disregard of the warning against "entangling alliances" uttered by Washington. The opposition found expression in the United States Senate, and was so vigorous and pronounced and so deep-rooted that ratification of the treaty by the Senate became out of the question, except by the attachment of numerous "reservations" and "interpretations," and these the Administration Senators (acting at the instance of President Wilson) would not accept, they taking the ground that these modifications would so materially alter the constitution of the League of Nations that the Peace Treaty would have to go back to the Allied and Associated Powers for approval of the changes made and be resubmitted also to Germany. The definite failure to obtain ratification after lengthy debate and many formal and informal negotiations, in committee and out of committee, and on the part of members of both parties acting on their own initiative to prevent such a result, occurred on November 19, and on the same day the special session convened by the President six months before adjourned. Accordingly the

Elbert H. Gary

year closed without the United States having become a definte party to the Peace Treaty.

But the fact that the year 1919 proved a surprise in mercantile and financial affairs did not grow out of any developments in connection with the Peace Treaty, or because of the attitude of the United States Senate (and in which there was reason to think the Senate reflected the bulk of popular sentiment) with regard to the same. Outside the United States the Peace Treaty was never in jeopardy and if received the assent of enough of the other leading Powers to make it effective, though lacking the formal support of the United States. Germany had been rendered helpless by the terms of the armistice and hence was forced to yield, assent to any terms of peace that its victorious enemies might see fit to impose, no matter how harsh or severe—and, as a matter of fact, the peace terms actually laid down were both harsh and severe—and a renewal of the war being thus out of the question the rest was of little consequence. Formal conclusion of peace might be and was delayed. But the war itself closed with the signing of the armistice on November 11 of the previous year. Were there the slightest doubt on that point, the authority of President Wilson himself might be invoked in support of the statement, for the President, when announcing the terms of the armistice, before a joint session of the House of Representatives and the Senate on the day named, only a few hours after the document had been signed, took occasion to say, "The war thus comes to an end," thereby indicating the absolutely conclusive nature of the arrangement.

Hence 1919 — notwithstanding the negotiations and proceedings in Europe and in the United States —constituted the first year *after* the world war. It is for that reason the course of the year proved a surprise in industrial and economic affairs. It was expected to be a period of reaction in business; instead there was only hesitancy at the beginning, after which the forward march was again resumed. It was supposed that the year would be one of readjustment—of return to the normal after the abnormal state of things, in every branch of trade and industry and in every line of human endeaver in every part of the world, engendered by the greatest war in human history. But far from a return to the normal, the abnormal became further pronounced and further accentuated. It was supposed that prices of goods and manufactures after their previous great advance would tend lower; instead they soared still higher. It was believed that the cost of living would be reduced; instead, it leaped further upward. Nothing seemed more certain than that wages would have to come down, but antecedent advances proved hardly a circumstance to the new advances that were to come in 1919. In place of the previous dearth of labor, there was now to be an over-supply (so the argument ran) but, except in the early months, experience proved the precise contrary, and labor remained scarce and was able to dictate its own terms. The great currency and credit expansion of the war was to be followed by contraction, and deflation was to succeed inflation; actually the exact reverse occurred. And so in a hundred different way the year failed to fulfill expectation and turned out far differently from what most people had counted on when it opened.

The explanation for the difference between expectation and result is found in the circumstance that the war, besides the havoc and destruction it wrought, exercised a profoundly disturbing effect in other respects. The war itself was a thing of the past. The agencies and influences growing out of it, or which were called into being to deal with it, continued in motion and steadily gained in momentum. If this is borne in mind, nothing strange will be found in the annuals and the experience of the year. Nevertheless, the striking contrast between the conditions and prospects at the beginning and those which marked the later course of affairs cannot be ignored, for it constitutes one of the significant features of the year's history. It serves, moreover, to explain why sentiment and opinion with reference to the probabilities of the twelve months, based on the apparent outlook at the opening of 1919, went so far astray. A cursory review of the situation revealed in the opening month, January, will serve to indicate how largely public sentiment was affected at that time by causes and circumstances which subsequent events showed to have been of a mere transitory nature. When the year opened, some of the post-war characteristics which had been looked for in industrial affairs were in evidence and it was supposed these were premonitory of what was to come in the whole range of industries throughout the year. There was a slackening of activity and some noteworthy declines in commodity values. Labor, which had been scarce up to the time of the armistice the previous November, now appeared to be becoming plentiful, and it seemed likely that this situation would continue, in part because of the discontinuance of the making of munitions and of other work connected with war activities and in part because of the return home of American soldiers from France and the continued demobilization at camps in the United States of the military forces which had been in training to be sent overseas. With the release from military duty of such large masses of men reports of growing idleness began to come in. It is true the idleness was by no means uniform, being pronounced mainly at centres where special war work had been done, and often little noticeable elsewhere. In the iron and steel trades banking of furnaces became prominent and with the booking of new orders reported less than half of current production the steel mills were engaged to only about an average of 60% to 65% of their capacity. Copper production had to be sharply curtailed, and though the large producers of the metal sought to maintain the price agreed upon the previous month, stocks of the metal were so large and the demand so inconsequential this was found impossible and prices rapidly drifted away from control of the producing interests. Sharp reductions in the prices of cotton goods were announced and raw cotton also suffered a sharp reduction.

Thus early in the year the indications pointed strongly towards trade reaction. The causes however, proved merely transitory, as already noted, though this was recognized by few at the time. Close reasoning seemed to support the theory at the time that the year must prove one of reaction and of a gradual readjustment to the normal. It appeared plausible enough to argue that the return of so many young men to their customary duties—the demobilization of the American army meant a return of 2,000,000 men from France and the discharge of those who had been in training at the military camps in this country meant the release of 2,000,000 more— would ensure a plentiful supply of labor, while the cessation of the manufacture of munitions and other special work incident to the prosecution of the war would turn loose still more labor and thus make proggress toward the restoration of a normal course of affairs not only natural but easy and inevitable. In this early period of the year consideration of the immediate probabilities were freighted mainly with discussions as to the best means to employ for procuring work for the large numbers of men so suddenly released from military duty and from war manufacturing. The problem as it presented itself then was how to find jobs for the many applicants for the same. Great anxiety was manifested as to whether sufficient work could be found for all the returning soldiers; and in all the leading cities and towns the municipal authorities and public-spirited citizens interested themselves in establishing agencies and headquarters for the purpose of bringing together those looking for work and those having it to offer.

Even thus early there was a manifestation of the spirit on the part of labor that was to have a controlling influence on affairs and to change wholly the course and character of the year, making it a prolongation of the war's de-

(Continued on page 1101)

Wilson Leaving For Peace Conference

With a broad smile and beaming with confidence, President Wilson is pictured as he left for Brest, France, to attend the Peace Conference in Versailles in April, 1919. It was his second trip to Europe following the Armistice of Nov. 11, 1918. . . . During his first attendance at the Peace Conference Wilson had thrown himself doggedly into the work of persuading the Conference to write a League of Nations Covenant into the Peace Treaty itself. . . . At home others were lining up to prevent our entry into the League.

Rail Revenues to Decline

By GALE B. CRUTCHFIELD
Vice-President, B. W. Pizzini & Co., Inc.

Railroad Analyst Looks For Substantial Decline in Gross Earnings Which Because of Expense Rigidities, Cannot Be Immediately Offset by Lower Operating Costs. Points Out That Although in 1944, Gross Earnings Were at an All-Time Peak, the Excess Was Largely Absorbed by Higher Operating Costs and Taxes, So That Net Earnings Were Less Than in 1929. Says Reduced Earnings Will Not Cause Widespread Bankruptcies, But Rail Equity Securities Will Be Affected Adversely. Warns Against "Dumping" Good Railroad Securities.

Let us look to the level of gross operating revenue for the first clue as to what might happen to the railroads during the period of post-war adjustments. A common fallacy is to keep the eyes on the net operating income. It has been proven time and again that when the level of gross operating revenue begins to drop railway managements are up against it in trying to cut down expenses in order to keep costs in line with revenue intake. Rigid costs are pretty high right now. Moreover, the managements would like to spend a lot of money on deferred maintenance and in buying new equipment. Whether they will feel inclined to do this right away is a matter for conjecture. It depends in great extent upon the level of gross operating revenue—not on net income.

Gale B. Crutchfield

During the war period the railroads, as well as many industrail concerns, were denied materials necessary to provide maintenance of properties in line with the level of business. Furthermore, the tax rates were such that a considerable part of the inflated earning power was captured by the war-time levies. In other words, capital has been devouring itself during the past several years. Sooner or later it will attempt to regain the lost fat if tax rates and, in the case of the railroads, the governmental policies allow this to be done. Anyway, for a time the prospects for liberal net earnings do not look too inspiring.

A Statistical Comparison

In 1944, 132 Class I railroads produced gross operating revenues in the aggregate amount of $9,436,800,000. THIS WAS A PEAK FOR ALL TIME. This amount compared with gross operating revenues of $4,166,000,000 in 1937, generally considered to be a fairly good business year. Gross operating revenues amounted to $6,279,500,000 in the "bull market" year of 1929. Thus, the evidence seems to indicate that the level of gross operating revenue is in for a considerable decline. In fact, during the near-term future it is hard to visualize any amount of consumers' goods freight movement that would replace as much as 50% of prospective loss of wartime heavy-goods traffic.

Therefore, it would seem that railroad managements will shortly be faced with the task of cutting down operating expenses to balance a prospective sharp drop in the railway's gross operating revenue level. It is observed that despite an increase of about two billion dollars in gross operating revenues between 1942 and 1944 the operating expense ratio increased from 61.6% in 1942 to 66.6% in 1944. The expense ratio went up—not down—with the increase in revenue! A part of this, of course, was attributable to higher wage rates. In addition, the tax collector has been taking nearly 20% of the gross revenue intake during the past several years.

Up to this time we have not mentioned the items that have seemed to be all-important to many railroad analysts—the level of net railway operating income after taxes and the amount of net income passed down into equities. These factors look good when examined on the basis of several years of constant growth in gross operating revenues—but they certainly will not look good during a period when the gross operating revenue is dropping!

It is noted that in 1944 operating expenses for the 132 Class I carriers amounted to $6,282,000,000 and tax accruals to $1,846,200,000 — leaving a net railway operating income of $1,106,300,000. This amount of "earnings available for capital" was, in fact, about $200,000,000 less than in 1929 when the level of gross revenue was smaller to the extent of $3,157,300,000. Naturally, the income taxes in 1944 were $1,449,500,000 higher than in 1929, and this affords a certain degree of cushion against decline in gross revenue. We will add to the 1944 net operating income of $1,106,300,000 about $170,000,000 of "other income" which will give us $1,276,300,000 available for charges. These fixed charges that you hear so much about the railroads being burdened with, they add up to a mere $536,000,000, or not two times the wage increase granted in 1943, not to mention such increases granted in 1941. Deducting the fixed charges, the carriers were left with a net income of $667,600,000 in 1944—less than 6½% of gross. A good part of this net figure was used to buy in bonds and reduce charges and to fortify working capital.

Expected Gross Revenue Drop

After this statistical mouthful, let us proceed with a few guesses as to what is likely to happen when gross revenue starts to fall. It seems reasonable to assume that the big gross revenue during the last four years was largely attributable to the pumping of hundreds of billions of dollars into war goods production and to diversion of traffic from highways and coastal boat routes, reasons for which you are well aware. Now the war goods production will stop; and the diverted traffic is apt to gradually leave the rails. A logical guess is that traffic will drop back to the 1937 level—let us assume that gross revenue drops to $5,000,000,000, though this could be increased by freight rate boosts. If it came suddenly enough, a $4,436,800,000 drop in gross revenue could virtually wipe out the railroad's margin of earnings in many cases. The managements would not be able to cut expense costs fast enough. That is what happened in 1930 and 1931.

Why not take Chicago & North Western Railway as an individual example to illustrate the picture? We have no notion of picking on C. & N. W.; but it is in excellent current condition. It has just come through a reorganization and in 1944 earned its fixed charges 6.44 times. Gross operating revenue in 1944 attained a level of $166,966,000 and the road had $24,345,000 available for fixed charges. A 40% drop in traffic would lop off about $69,000,000 in revenue. A guess would be that the management could hardly protect half of the earnings level. This might wipe out equity in earnings for stocks for a time.

We admit that thus far we have painted a very harsh picture. In fact, it could work out much better than we have painted it. There is a much better side in the longer term outlook for railroads and railroad securities. The better side to the picture should arise after adjustment of current operating expenses and taxes to an extended "normal" outlook for traffic and gross operating revenues. The DROP PERIOD is what hurts because it is a difficult job for managements to keep costs going downward in line with declining revenues. Rigidities in the expense level are not too easy to deal with owing to union rules; partly to real estate and other taxes. Managements are usually faced with problems of jockeying between a rigid cost structure and a rate structure based on the idea that the railroads are a monopoly.

Rails Still Basic Transportation

Back in the "horse and buggy" days the railroads did have a practical monopoly on traffic. A regulated rate structure was set up based on what each type of traffic could reasonably bear. In those days a shipper was assumed to need over-all railroad service. High-priced manufactured goods could bear a freight rate of more than 2 cents per ton per mile because the freight charges represented only a minute addition to the selling price of the articles. On the other hand, coal and heavy goods to run the plants were brought in at a fraction of a cent per ton-mile. Thus the rate structure was adjusted to the railway operating cost basis. Higher wage costs meant higher freight rates in order to allow a reasonable profit. That is why we found the railroads capitalized in large extent by bond issues.

In late years we found the automotive vehicles running on the super-highways cutting into the rate structure as well as the traffic level. The railroads were required to maintain over-all freight service. We are not too hopeful that the situation faces early revision; not while the war-time earnings of the railroads can be referred to as an example. The idea now seems to call for more super-highways to facilitate trucking by avoiding the cities and for super-airports—largely paid for at public expense. Sooner or later there will be a revision and a national transportation policy. Obviously the public as a whole is paying for high-cost transportation—and the railroads represent the lowest cost transportation.

If the nation's transportation as a whole was put on a straight cost-rate per ton regardless of commodity classification the situation would quickly become apparent. Then the shipper could not demand over-all transportation service from the railroads, give them his coal and crushed rock traffic, and use the highways and airways for hauling his silk goods, manufactured articles, and the private car for personal trips.

The railroads are apt to remain the basic form of transportation

(Continued on page 1141)

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Wartime Operations and Peacetime Future of the Coal Industry

By JOHN WALTERS

Writer Points Out That Despite Its Fundamental Importance, the Coal Industry Had Been Losing Ground Just Prior to War and That the Profits From Coal Production Were Declining Notwithstanding Technical Improvements and Expanding Use of By-Products. Holds Coal Mining Will Continue as a Vital and Huge Industry, Though Confronted With Increasing Competition of Other Fuel and Power Sources, and Sees No Reason Why Its Profits Should Not Be Improved. Gives Facts Regarding British Coal Trade and Its Competitive Situation.

Bituminous coal, source of half of the annual energy requirements of the United States, reached an all-time production peak of 620,000,000 tons last year. When manufacturing, transportation and the utilities need fuel they lean primarily on bituminous coal and as the national economy moves forward on a broad front, demands for coal must inevitably expand.

Anthracite coal is the source of an additional 8 or 9% of the nation's energy, petroleum provides approximately 30% and the remainder is derived from water-power and natural gas. Anthracite output in 1944 was 64,112,589 tons, approximately the same as the previous year, but well below the 80 million tons of 1927 and the all-time high of approximately 100 million tons in 1917.

While coal, as a carbonaceous mineral, has been known for centuries, it is only within the past fifty years that it became the basis of one of the great industries of America. Directly affect the livelihood of more than half a million families, the problems of the coal industry have had a profound influence on social and political developments in the various states and the nation. A vast literature has grown up around these aspects of the industry and the statistical data which have been assembled are impressive. This report must, perforce, be limited; an analysis of the economic phases of the industry, together with the problems it faces in the peacetime future, will be the essential concern of succeeding comment. Bituminous operations, because of their importance, will be treated more extensively.

Character of Consumption

That industrial civilization is based to an important degree upon coal, is indicated by the present character of consumption. In a typical year the railroads will use approximately 20% of the country's bituminous coal output; the electric utilities will require another 12 to 15%, the steel industry from 18 to 20%, domestic and office heating a similar amount, and the balance will go for manufacturing and other purposes. The Bituminous Coal Institute estimates the actual bituminous coal distribution for 1944 as follows:

How Used	% of Total
Locomotive fuel	22.4
Electric power utilities	13.4
Coke ovens (steel industry)	18.2
Domestic and office heating	20.6
Manufacturing and all other uses	25.4
Total	100.0

This means that in round numbers 58% of our bituminous coal output was used in manufacturing, by the utilities and metallurgy, while the balance was divided more or less equally between heating purposes and railroad fuel.

The coal industry not only supplies fuel for the railroads but also provides them with their greatest source of traffic. Coal and coke are moved in larger volume than any other single category of freight. Out of a total of 42,983,200 cars of freight moved last year, 8,694,100 were made up of coal, as compared with 8,493,-154 for the preceding year.

Coal loadings have increased steadily every year since war began. This traffic, which averaged 6.3 million cars during the decade of the 30's, rose to 6.8 million cars in 1940, increased to 7.6 million in 1941, to 8.4 million in 1942, to 8.5 million in 1943 and 8.7 million last year. Coke loadings have followed a comparable trend. They amounted to approximately 550,000 cars in 1940, 678,-000 the following year, 731,000 in 1942, 751,000 in 1943 and 756,000 last year.

U. S. Coal Reserves

These facts emphasize the importance of coal reserves in this country and abroad. Possessing 50% of the world's coal, it is currently estimated that the reserves of the United States are sufficient to last from 2,000 to 4,000 years. Including sub-bituminous coal and lignite, authoritative reports show that total reserves amount to 3.2 trillion tons. Approximately 44% of this vast reservoir of energy consists of bituminous coal deposits which are scattered over 29 states. Deposits of anthracite, located in the single state of Pennsylvania, make up about ½ of 1% of the total and the remaining 55% consists of sub-bituminous coal and lignite.

World production figures on coal show that in normal peacetime years, the United States has been in the forefront with Germany second, Britain third and Russia fourth. It is true that in the single year 1939 Germany's output of coal, augmented by the resources of territory conquered at the beginning of the war, was slightly in excess of the United States, but this advantage was quickly ended. In 1942, the first war year that comparable figures were made available by the Bureau of Mines, production of coal in the United States was 580 million tons, Russia was second with 247 millions and Britain not far behind with 215,900,000 tons. German production cannot be estimated with any degree of accuracy.

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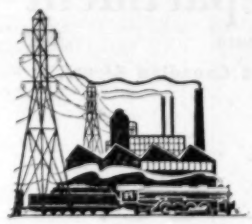

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Mutual Fund Comparisons

By KARL D. PETTIT
Senior Partner, Karl D. Pettit & Co., Investment Counsel

Mr. Pettit Points Out That Because Mutual Funds Differ in Their Objectives and in Their Methods, Comparison of Their Performance Is a Dangerous Procedure. Maintains That the Only Equitable Comparison Should Be Confined to a Complete Bull Market and Not Upon a Periodical Basis. Says Mutual Funds Should Emphasize Their Superior Advantages to Investors.

The vast growth in recent years of the regulated investment company has invited an unusual amount of study and scrutiny of these funds. Many attempts have been made to evaluate the various managements, usually by a measure of the results, referred to as the "performance."

Karl D. Pettit

This is a dangerous procedure. A cursory examination of the problem reveals that,

. . . objectives differ,
. . . the period of comparison may be inequitable,
. . . the methods and means used to attain the performance must be considered.

It may be stated, almost without challenge, that there are as many methods and philosophies of management as there are funds. Funds vary in their composition. Some adhere to common stocks. Others are confined to bonds. Still other funds concentrate on some individual field. Some combine both stocks and bonds on a fixed ratio as distinguished from flexible ratios.

There are funds whose principal objective may be income, others appreciation. These two objectives may of course be combined to produce any number of variations of management policies.

There are funds which endeavor to keep fully invested at all times, relying on their ability to select sound and intrinsic values. Others attempt to use "timing," the objective being to participate in the opportunities afforded by the cyclical characteristics of the market.

Many different methods may be employed in meeting the problems created by these cyclical fluctuations. Some managements increase or decrease the equity position depending upon the phase of the cycle. Other managements meet the problem by varying the character of the equities themselves, by either changing the quality of the securities or by changing the concentration in industries, or both.

Ordinarily great risks are attendant with the first and last phases of a bull market. A management in order to successfully cope with these phases would be likely to make a poor performance in relation to another not attempting to meet the problem, if comparisons were limited to a single phase. A management taking a long range view must ignore the near term outlook.

Comparison by fiscal year or any portion thereof disregards all the foregoing considerations. It would appear therefore that the only equitable comparison should be confined to a complete bull or bear market and no segment of it. It is only by comparing a complete bull or bear market (from peak to peak or from trough to trough) that we can determine if a management's objectives have been successful. It may be likened to a long distance race. Each competitor will have his own method of timing and running his race. The winner is judged by the result of the completed race and not by any portion of it.

A common fallacy is to select calendar periods for comparison. The year, the half year or quarter year, are merely traditional periods, useful for purposes of accounting. The market disregards this convention and calendar periods begin and end in disconcertingly meaningless times in the market cycle.

It has also been suggested that a satisfactory method is obtained by comparing periods when the general market approximated the same level at the beginning as at the end.

This method, while superior to other methods used, still has two basic objections. We judge the merits of an individual security not only by its price at the beginning and end of a period, but also by its behaviour **during** the period. For example, if stock A habitually moved over its cycle from 100 to 85 and back to 100, and stock B from 100 to 50 and back to 100, then it would normally be concluded that stock A had more quality than B because of its greater stability.

In the final analysis, results must be satisfactory, but it is the integrity, philosophy and methods of management which must be judged. It must be determined if the risks undertaken by the management were commensurate with the results achieved.

It would seem from the foregoing that comparison, as such might be characterized by the SEC as objectionable as it does not present, ". . . all the relevant facts in such manner as will be clearly understood by the investor without due effort on his part."

Obviously understanding of a comparison of funds would require not only a real effort on the part of the investor but also a person extremely well versed in the field of security management.

It is evident that if comparisons are undertaken, then it should be between a Fund and the investor. It is almost undeniable that the results achieved by regulated investment companies are superior to those obtained by the individual attempting to meet his investment problem. It is this achievement that the industry should seek to emphasize.

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NSTA Committees Reports

Educational Committee Report

Following is report of the NSTA Educational Committee, Chairman of which is Paul I. Moreland:

This report will serve to supplement my report which was submitted under date of Jan. 31, 1945 to the Mid-year Meeting in Chicago.

Following the Mid-year Meeting, I prepared a preliminary outline of a suggested lecture course to be termed "Security Trading" and submitted this outline to each of my Committee members. From this, I received some valuable comments and am especially indebted to Harry Reed of Loeb, Rhoades & Co. for his suggestions. This preliminary outline provided for 20 lectures and one additional period for an examination or testing session.

Paul I. Moreland

On the basis of suggestions from Committee members and work in connection with the actual briefing, I believe fifteen lecture periods with time for discussions of two hours each with a final testing period can adequately cover the basic ground.

The fifteen subdivisions as proposed are as follows:

1. Organized Security and Commodity Markets.
2. The Over-the-counter Market.
3. The Offering of New Issues of Securities.
4. A. Communications Systems and Their Uses.
   B. Position Trading, Quotations, Trading Methods and Practices.
5. Common Stocks.
6. Preferred Stocks.
7. Corporation Bonds.
8. Real Estate Issues and Special Types of Corporate Obligations.
9. Bank, Insurance, and Mutual Fund Security Issues.
10. Municipal Issues.
11. United States Government and Foreign Security Issues.
12. Commodities.
13. Trading Knowledge in Relation to Other Departments of the Business.
14. Functions of the SEC, the NASD, NSTA & State Commissions.
15. Security Analysis.
16. Review and Examination.

The laborious part of this program is the actual briefing of these subdivisions and on this we have far to go. I personally, have briefed three of the topics and Irving Rice has submitted one very excellent brief. John Hecht has submitted a review on Bank and Insurance Issues and, at the instance of one Committee member, Israel Zippin has cooperated by submitting a review on Foreign Securities.

The falling-down on this part of the Committee's job is probably due to the press of business and also the lack of knowledge on how to brief a topic.

It is the thought of this Committee that, once all the briefs are prepared, they should be compiled into an inexpensive mimeographed booklet form and be made available at cost to those who elect to take such a course.

Further, it seems to be the majority consensus that no pre-

(Continued on page 1137)

Municipal Bond Committee Report

Following is text of the Committee's report submitted by Chairman J. W. Kingsbury:

Your Committee points with pride to, and modestly takes credit for, the hearings held in February, 1945, before the Interstate and Foreign Commerce Committee of the House of Representatives of Congress on the Boren Bill. It is generally agreed that the work done by members of this Committee

J. W. Kingsbury

municipal representatives working with it this year as well as last year, and by individual members of our Association among the "Grass Roots" Constituents of Congrsessmen was the principal reason that the hearings were held. Had they not been held there would have been no possibility of the Boren Bill ever reaching the floor of Congress.

It is interesting to note that of the persons who attended the hearings on the Boren Bill above referred to only one had the distinction of being introduced publically to members of the Committee. Before mentioning that gentleman's name, if such mention is necessary, let it be observed that this is the first recorded instance of him not knowing everyone in the neighborhood, regardless of what neighborhood he was in. It might also be added that this is the first recorded instance of everyone in the neighborhood not knowing him. If you please, Mr. Graham stand and let everyone see a man whose Congressman drops his pressing duties to introduce a friend to members of such an important congressional committee.

You gentlemen have, no doubt, gathered that your Municipal Committee has had a one-track mind. To that charge we are, at this time, glad to plead guilty. The only thought we have had in mind, the only thing we have worked on, and the only thing we are not going to stop working on is the BOREN BILL. Members of your committee are firmly convinced that no other one thing is so important to our business, both municipal and corporate, at this

(Continued on page 1141)

Post-War Committee Report

Following is text of report of NSTA Post-War Committee, headed by William M. Summers:

Your Post-War Committee, after careful deliberation, has concluded that we cannot add to the recommendations that we submitted to the Association a year ago. As a matter of record, we repeat them herewith:

(1) The establishment of an Employment Committee in each of our affiliates, whose duty it will be to assist our members returning from the armed forces to either return to the position which they held prior to their enlistment or place them in new positions.

Willis M. Summers

(2) The establishment of classes under the supervision of our affiliates to teach young men, either veterans or otherwise, the fundamentals and ethics of trading in Over-the-Counter securities.

(3) The development of a program advertising the desirability of Over-the-Counter securities as investments.

The feasibility of these suggestions has been confirmed by a program started by the New York Stock Exchange to inform the public of the workings of that organization and also by the announcement recently by the Association of Stock Exchange Firms of the appointment of a committee to place returning war veterans in positions.

Your Post-War Committee wishes to emphasize once more the desirability of the Association carrying out our recommendations, especially those that relate to the war veterans. When many of our men entered the service, the security business was in the doldrums. It was discouraging for those of us who were in it and certainly not an attractive business for anyone to enter as a career. We are all familiar with the change for the better that has taken place during the past three years, during which time, thousands of our men, both young and old, were away on the battlefronts of the world.

Does this not put a heavy obligation on us to do all we can to see that these boys, when they return, are placed in positions as soon as possible? Many of the younger men have never been in the business world. The security business to-day has once again established itself as an essential profession in the economic world. It should offer a bright future career to these young men if presented to them properly.

The war is over and thousands of men will be discharged from the armed forces during the next few months. The time for us to concentrate on this work is right now, if we are to show our appreciation for the sacrifices they have made for us and strengthen our trading fraternity.

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The Post-War Pattern Of American Banking

(Continued from page 1076)

have to take care of short term borrowing.

In the "Foreword by a Banker" and in the book itself considerable confusion exists as to the nature of bank deposits and as to the function of the banks in substituting their known and widely accepted credit for the credit of limited acceptability of the prospective borrower. In the "Foreword" we read: "If all bank loans were paid, no one would have a bank deposit, and there would not be a dollar of currency or coin in circulation." This ignores all primary deposits of cash and checks in banks and all types of currency put into circulation by the Treasury. The book states (p. 17) that the "new limitation on bank loans would be a wholesome one; namely that no money could be lent unless there was money to lend; that is, the banks could no longer **over**-lend by manufacturing money out of thin air. . . ."[1]

Normal Sources of Profits Would Disappear

Fisher recognizes that if the banks turn over their bonds and other earning assets to the Government (Currency Commission), and can no longer make short term loans on the basis of their credit, they must be recompensed in some way. Checking departments of banks or separate "Checking Banks" would be reimbursed by service charges. To compensate for loss of earnings on bonds and assets turned over to the proposed Currency Commission, one plan would be to let the banks consider such assets as still belonging to the banks but held as collateral by the Currency Commission or the Federal Reserve Banks, on which the banks might collect the earnings for a number of years. The other might be for the Government to pay **in perpetuity** an annuity to the banks, in some complicated manner, about equal to their "fair average" earnings under the old system. "So great would be the advantages of the 100% system to all concerned," says Fisher, "it would pay the nation to **give** the reimbursement in perpetuity"; or, on the other hand, he paradoxically continues, "it would, **in the end** pay the banks to accept the 100% system (even) without any reimbursement whatever"![2]

The other 100% Reserve Banking plan is that recommended by Marriner S. Eccles, present Chairman of the Board of Governors of the Federal Reserve System, in his famous "Eccles Bills" presented in the House and Senate on February 6, 1935, which gave rise to the Banking Act of 1935. His plan as it passed the House was to have the legal reserves of member banks raised from the traditional 7%, 10% and 13% on demand deposits to 100%, or reduced to zero, at the will of the Board. In the areas where 100% reserves would be required no credit could be extended on the basis of bank deposits, whereas in those favored communities where the legal reserves would be zero, virtually unlimited credit could be used. This plan would lend itself beautifully to those who were interested in a planned economy with the strings pulled from Washington.

The fact that two important figures still in the limelight in governmental circles favor one or the other of these plans makes it not improbable that they may come up again at any time and might be "put over" on an unsuspecting public, unless public opinion is educated as to the real merits or dangers in the plans. In his **Preface** Fisher claims that Dr. Lauchlin Currie had helped him with his book on "100% Money" and had treated the subject in one of his own writings. Then Mr. Eccles is still with the Board of Governors of the Federal Reserve System and may at any time attempt to influence legislation again in favor of his views on banking. If the people of this country really want any such revolution in the whole nature and functioning of our banking system they should consider the matter intelligently and go into it with their eyes open.

Influence of Government Debt Holdings on Banking Changes

The increased holdings of government deficit securities by commercial banks and the Federal Reserve banks may affect our banking system in one of two ways. It may prove an incentive and furnish an argument for the government taking over the banks or of forcing them into some form of 100% reserve system. On the other hand, with the Government continuing to use the banks in its deficit financing, it may be to its advantage to force them all into the national banking fold, thus doing away with our **dual system** of banking. In an article in the "Chronicle" on Aug. 3, 1944,[3] I pointed out that by the end of 1943 the Government had become the largest borrower from the FDIC member banks, with $58,694,000,000 of their assets consisting of government securities. At that time the Federal Reserve banks also held $11,651,000,000 of government securities, direct and guaranteed, or a total of $71,345,000,000 of government debt held by the two systems. One year later the FDIC member banks held $75,897,000,000 of government debt, and the Federal Reserve Banks $18,734,000,000, making a grand total for both by Dec. 31, 1944, of $94,631,000,000.

One of Professor Fisher's alleged advantages for the 100% system was that "the interest-bearing Government debt would be substantially reduced; because a great part of the outstanding bonds of the Government would be acquired from the banks (in exchange for non-interest bearing inconvertible notes)[4] by the Currency Commission (representing the Government)." Presumably interest would be stopped on such bonds or the bonds canceled. Roger Babson, in one of his recent syndicated articles,[5] stated that the Federal Government might "institute a 100% reserve policy and thus save the Government interest on all of the Government Bonds held by the banks," as well as nationalize at once the twelve Federal Reserve Banks, with the commercial banks also "taken over by the Government" during the "next business depression." Both of these methods were suggested as possible means of servicing the in-

[1]For an excellent answer to this fallacy see Spahr, W. E., **The Fallacies of Professor Irving Fisher's 100% Money Proposal**, pp. 23-25.

[2]Fisher, Irving, **100% Money**, pp. 140-141.

[3]"Ten Years of the FDIC," pp. 481 and 494.

[4]First parentheses added by writer.

[5]See **Commercial and Financial Chronicle**, Dec. 21, 1944, p. 2737.

(Continued on page 1085)

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The Post-War Pattern Of American Banking

(Continued from page 1084)

terest burden on the "huge post-war U. S. Government Debt." I have maintained with banking classes that when the government debt held by the commercial banks and the Federal Reserve Banks combined reached 100 billions it was time to look sharply for signs of impending government ownership of both the Federal Reserve and our commercial banking systems. That total has already been reached as the commercial banks are increasing their holdings of governments at the rate of almost $2,000,000,000 per month, while the "Feds," in their one-way open market operations, are adding about 7 billions a year, or better than $500,000,000 per month. With the banks holding $100,000,000,000 of our prospective 300 billion dollar public debt, a saving of approximately 2½ billion dollars a year in interest burden could be made if both our commercial and reserve banks were nationalized. The total capital stock of our 13,268 FDIC member banks is only $7,990,000,000 and that of the 12 Federal Reserve banks $164,399,000, ignoring the other capital items. Hence the possible incentive for the Government to take over by one method or another the ownership and/or control of both our commercial and reserve systems of banking.

Possible Effect on Dual System of Banking

As to what may happen to our dual system of banking in the United States, which, since the National Banks were started in 1863-4, and in a very real sense since the First Bank of the United States was set up in 1791, has been a peculiar feature of our banking system, one's guess may be as good as another's. Without going into the merits or demerits, the advantages or disadvantages of this divided system at this point, let me say that an outstanding banking authority who is interested in both national and state banks, sees in current trends a strong possibility of the ending of our dual system. Dr. E. E. Agger, Head of the Department of Economics at Rutgers University, and concurrently Commissioner of Banking and Insurance for the State of New Jersey, writes:[6] "Taxation **versus** borrowing will be as hotly debated in the post-war period as it is being debated now. And federal deficit financing based on borrowing will have the same inflationary dangers that it has now. A special crisis may develop in the banking field in relation to the maintenance of our dual system of state and nationally chartered institutions. The subject is too large to be developed here, but it may be said that to the degree that national control of bank credit becomes more urgent, and to the degree that direct federal financing continues to be substituted for private financing through normal banking channels—to that degree the independent existence of our state chartered banks is threatened."

"When Politics and Banking Mix"

If nationalization or socialization of credit takes place it will lead inevitably to a mixing of politics with banking. The Labor Party's program in Britain of the nationalization of the Bank of England and the Joint Stock Banks by a political party is a case in point. One is reminded of the old adage, "When politics and banking meet it is always bad for banking." Political considerations may and frequently will, under such a system, be given more weight in the extension or the withholding of credit than purely economic ones. If the Government takes over the banking system bankers will become, what for the past ten or twelve years they have feared they might become, civil servants working for the Government. With the Government taking the profits, if any, from banking, and out of taxpayers' money assuming all banking losses, banking would be carried on on a new footing under bureaucratic governmental control. Bankers would not need to "sense the pulse of industry" to see what its credit needs were, but would tend to be guided by governmental policy which, in essence, is political.

What About Branch Banking?

Shall our unit system of banking give way in the post-war period and be superseded by a more widespread system of branch banking? Fisher claims that the 100% system, if adopted, would "save the big banks from something which they dread; it would also save the small banks from something they have always dreaded—branch banking." He points out that a continuation of our present 10% system—i.e., a system of keeping on the average about 10% in reserves—would make branch banking become more general. "But in this country, with its traditions of local independence, branch banking would, in many localities, be of doubtful benefit. . . . The small independent banks, therefore, have special reasons for favoring the 100% system, both as affording the greatest safety and as affording an escape from branch banking." (pp. 145-146.)

Putting the argument on a more realistic basis, many of the larger banks in Chicago and New York feel that with their widespread correspondent system, they have most of the advantages but with few of the costs and responsibilities of branch banking. If banking remains independent of government ownership or rigid governmental control, however, many are of the opinion that an expansion of branch banking on a regional, or perhaps intra-federal-reserve-district, basis would strengthen our present system of banking.

What does the future hold for American banking? It keeps its own secrets and almost anything **may** happen. But in my opinion, we will probably have more, rather than less governmental control of banking, with nationalization of our Federal Reserve banks always looming before us as a possibility. Branch banking will probably be extended, and the future of our dual system of state and nationally chartered banking institutions remains problematical. Beyond that the post-war period will probably have to give its own answers to many of the thought-provoking and vital questions with which our banking system is confronted.

[6] In the Monetary Standards Inquiry Pamphlet No. 2, on **"American Banking and Currency Stabilization,"** pp. 8-9.

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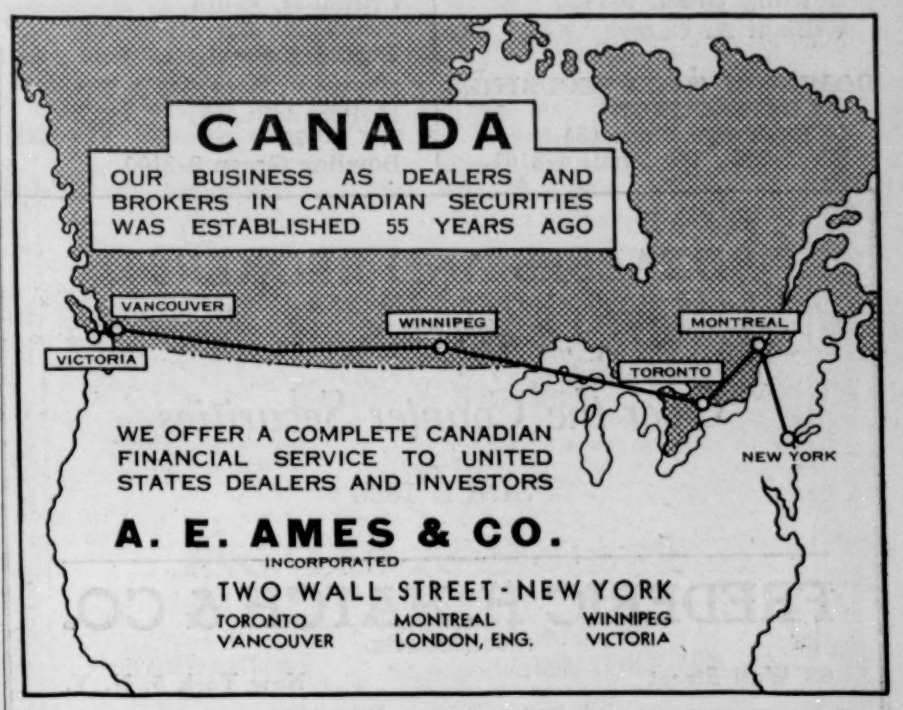

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The Future of Postal Savings

(Continued from page 1078)

small savings accounts the interest rate is unimportant, being overshadowed by considerations of convenience.

In spite of these logical advantages of the commercial bank it appears that the postal savings system could entice many depositors away if a careful comparison were made. It seems probable that most families do not weigh all the alternatives, or perhaps are not even aware of the precise differences. Traditional household behavior patterns may account for the fact that the shift to postal savings has not yet become a landslide.

Original Objectives of the Postal Savings System

In its historical conception the postal savings system was a progressive piece of legislation and met a real need, although private banking reform might have met this need even better. The first postal savings bill was introduced into Congress in 1871. Opposition was vigorous, however, and for over a quarter of a century successive proposals were rejected by Congress. During this period some 80 bills were discussed and discarded. Eight different Postmasters-General and several Presidents actively promoted the adoption of these plans, but their weight of authority, or their political power, was insufficient.

Supporters of the proposals argued, quite correctly, that there were many ignorant and illiterate foreign-born in our nation who did not understand our banks and therefore distrusted them. These immigrants had formed the habit of keeping their savings at a post office in their home countries. Many of the newer immigrants were actually sending deposits abroad to their home town post offices, in which they had great faith. In most of the congressional bills advocated much stress was laid on the principle that deposits were to be made available for investment purposes in this country.

It was believed that an American postal savings system would prevent the hoarding of currency. An increase in the total volume of saving was also expected, and many of the arguments sound like the modern social security proposals. There was a genuine concern for the old age of the working class strata. Much of the discussion portrays the hardships of involuntary unemployment, the virtues of thrift, and the evils of improvidence.

On both sides of the debate there was recognition of the fact that a more permanent and more satisfactory solution to these the foreign born to the proper use of existing American savings institutions. Like many more recent enactments this government sponsored savings program was a more or less temporary attack on the current symptoms of economic disorder, having little or no effect on the fundamental causes.

Another argument of historical importance in the development of postal savings was the proposition that savings institutions were not evenly allocated geographically. In 1910 there may have been a few areas inadequately served by banks. Professor Kemmerer has pointed out that at that time there was a population of 8,370 for each bank accepting savings, but only 1,542 for each post office. There were 5.4 post offices to each such bank. There were 270 square miles of area for each bank, while there was a post office for each 50 square miles. A growing tendency for savings institutions to cluster in the cities was clearly discernable.

Congressmen from Southern and Western States held that their constituents had no adequate opportunities to use savings banks of the kind which had developed in the Northern and Eastern sections of the country. Their discussions quite commonly overlooked the availability of savings departments in their local commercial banks. Insurance companies had not yet come to be recognized as savings institutions. Still more significant is the fact that postal savings deposits today are concentrated in the larger cities, where banks are also available.

Sporadic Growth of the Postal Savings System

The reaction after the panic of 1907 finally gave the postal savings movement sufficient impetus to carry it through both houses of Congress. The organization was established in 1910, and began operations in 1911. Because of the inadequate reserve system existing in 1907 many savings banks had found it impossible to meet withdrawals of deposits on demand, and many commerical banks had failed. Dissatisfaction with the existing savings facilities became a popular sentiment. This

(Continued on page 1100)

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The Future of Postal Savings

(Continued from page 1099)

might have brought about some rather obviously needed reforms in the contemporary banking structure and a renewed emphasis on free competitive enterprise. Instead, a governmental institution was created, and the socialistic trend was confirmed.

In its early years the postal savings system grew much slower than had been expected. It eventually reached a 1918 peak of $168,000,000 in depositors' balances. After the first World War it declined in volume until the 1929 panic gave it new life. Between 1929 and 1933 depositors' balances increased from $164,000,000 to $1,209,000,000, the greatest spurt in the history of postal savings. The inflation and population growth of the 1930's did not cause a proportionate increase in depositors' balances after 1933. By 1939 the total had only reached $1,279,000,000. But by May of 1945 depositors' balances stood at $2,607,000,000. During the war years postal savings deposits have doubled. There is reason to expect a strong post-war growth at the expense of privately owned institutions if the law is not changed.

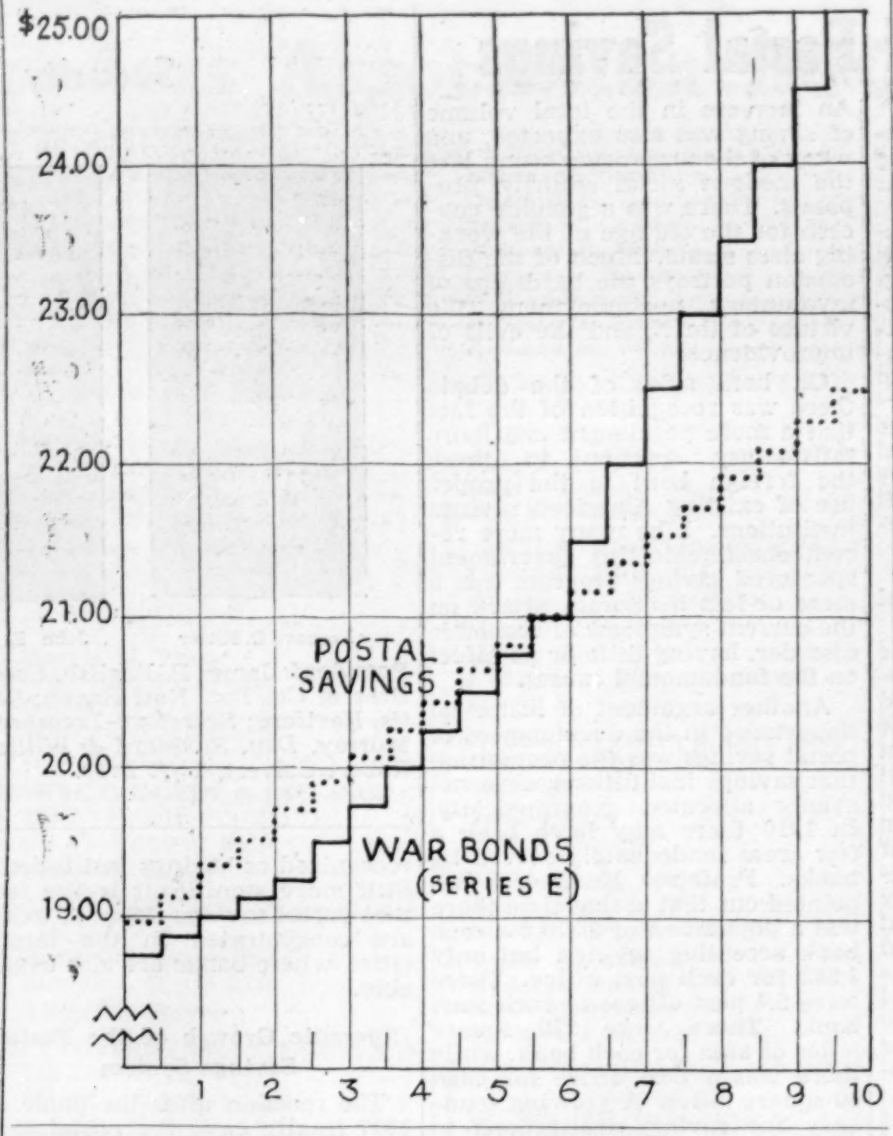
A Modern Evaluation of Postal Savings

The arguments supporting the postal savings legislation seem very plausible when they dwell on the facts about immigrants in the working class. But these facts have changed today. Our immigration laws and our educational efforts have rapidly reduced the number of unassimilated foreigners. In 1916 some 60% of the postal savings depositors were foreign born, but at the present time native Americans make up the major part of the segment of the population served by this institution.

The criticisms of the geographic allocation of savings institutions were less convincing historically, and in our modern economy they have lost any significance they may have once possessed. The Federal Reserve System, rigorous examinations, and Federal Deposit Insurance have made our commercial banks safe. Insured building and loan associations are quite common all over the nation. Annuities, computed at good rates of interest, are sold by carefully regulated life insurance companies in every State. War bonds and other government securities are available everywhere.

It seems clear that the postal savings system no longer meets a real need. It does, however, offer an investment which is becoming increasingly attractive as the yield on high grade bonds drops lower and lower, forcing private institutions to pay lower rates on savings deposits.

The bulk of the postal savings receipts was originally invested as time deposits in local banks, though a special legal reserve for liquidity has always been held at the Treasury in Washington. This required reserve must be in lawful money, and amounts to 5% of the total postal savings deposits. When funds are offered to selected local banks they are required to insure such deposits or pledge enough approved government securities to guarantee their liquidity. In addition, they are required to pay 2½% interest on the average daily postal savings funds carried in time deposits, unless the maximum rate set by the supervising authorities is less. Preference is given to banks in the neighborhood of the post office and to members of the Federal Reserve System. No bank is permitted to receive deposits in excess of its capital plus half of its surplus. Deposits are to be allocated among the qualified banks of the community in proportion to the capital and surplus of each.



The handling of these deposits was profitable for the banks during the decade of the twenties, and as it turned out they were rather glad to have this business. There is some historical validity to the argument that the postal savings system prevented the hoarding of currency in sugar bowls, dresser drawers, and strong boxes. Considerable sums of money probably came out of hiding and made their way through the safety of postal savings into the productivity of commercial channels. Such hoards would never have reached the banks without the aid of the postal savings system.

During the banking crisis of the early 1930's many depositors withdrew their money from the banks and put it in postal savings. Fortunately the great bulk of this outflow was immediately returned to the banks in the form of government deposits. Much money that would have been hoarded was returned to the banks by this procedure. The postal savings system was thus supplementary to the existing banking structure at one time, and not directly competitive with it. The situation has been allowed to drift into an entirely new relationship in recent years.

In 1931 about 8% of the postal savings funds was invested in government bonds, and about 86% was redeposited in banks. Since 1933 investment opportunities have become so unattractive that very few banks have accepted such deposits. Furthermore, the Roosevelt Administration has always needed the postal savings receipts to help meet the annual Treasury deficits. Accordingly the dominant investment of the postal savings system has become United States securities. The Treasury has spent the proceeds from the sale of these securities on public relief, reflation projects, and the present war effort. If postal withdrawals should exceed deposits the Treasury will return this money out of tax receipts, or more probably by borrowing elsewhere. In this respect postal savings certificates are just like defense bonds. It is equally patriotic to buy either.

In 1939 only about 4% was redeposited in banks, and about 90% was made available for government spending by the purchase of government bonds. A simplified balance sheet of the postal savings system as of June, 1944, appears as follows:

Assets—	
Cash in banks	$9,000,000
U. S. bonds	1,951,000,000
Cash reserve funds	135,000,000
	$2,095,000,000
Liabilities—	
Deposits	$2,034,000,000
Other	61,000,000
	$2,095,000,000

Conclusion

If there is a genuine renaissance of the spirit of free enterprise, this particular form of government in business might find itself without support. It will be increasingly clear to social workers that postal savings no longer meets a real need. Now that the war is over government propaganda efforts may once again be directed at the expansion of individual spending. A balanced economy with full employment will require a vigorous flow of purchasing power. Pressure selling of high interest savings bonds will surely cease. At this time the political atmosphere might be quite receptive to proposals for the abandonment of postal savings.

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The First Year After World War I

(Continued from page 1079)

bauch instead of a steady ebbing back to a peace or ante-war basis. During the war the labor unions everywhere had acquired the habit of asking for higher wages and for shorter hours of work, and as no interruption of industrial activities could be permitted while the conflict continued (out of a fear of the effect upon the war), labor largely, in fact almost entirely, had its own way. It got a shorter day and it got repeated increases in wages, this indeed being one of the main factors in the great rise in prices which attended the war.

It is customary for labor union organizations to emphasize labor's contribution in winning the war. They would have it appear that labor made special concessions so as to help the Government in the prosecution of its great undertaking. Very few men have seen fit to challenge the statement, and it is being repeated with such persistency and frequency that there is danger that among the uninformed it may in the course of years be accepted as the truth. It seems proper, therefore, to state here, in a review and analysis of the events and developments of the war, and the period succeeding its conclusion, that, so far from labor having been especially considerate of the needs of the Government during the war and having refrained from action that might interfere with the operations of the Government, the precise opposite was the case. Indeed it would be no exaggeration to say that labor indulged in the most unconscionable profiteering while hostilities were going on and continued the practice after the conflict ceased. Labor, under the guidance of labor union officials, saw in the war its great opportunity and availed of it to the limit. It was obvious that the Government could not allow industrial activities to be interrupted anywhere, since production had to be stimulated to the utmost for the prosecution of the war. This was so not merely at munition works, but everywhere. Government requirements, of course, had their ramifications everywhere, for the army had to be clothed and fed, as well as supplied with the tools of war, and in the present instance an extra responsibility rested upon the Government in the circumstance that the needs of the Powers with which the United States was associated, needs which this country alone could supply, had also to be considered. But entirely apart from the Government's direct needs, industrial activities had to be maintained to their fullest limit if the war was to be made a success beyond peradventure.

The labor leaders were not slow to see this and they were governed accordingly. By strikes or threats of strike, shrewdly based upon the knowledge of the inability of the producer and manufacturer to resist, it being indeed self-evident that they would not be allowed to resist in view of the virtual pledge that every producer felt under that output must be fully maintained, labor succeeded in enforcing all its demands of whatever nature, not only in the way of increased wages and reduced hours, but in the way of numerous other concessions, all

(Continued on page 1102)

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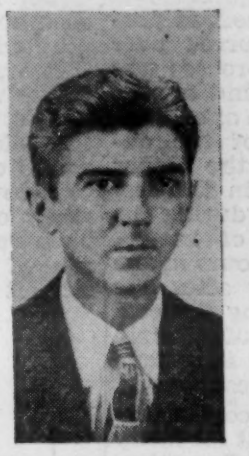

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The First Year After World War I

(Continued from page 1101)

tending to add to the cost of producing. And this occurred over and over again. The process was repeated many times and always with absolute assurance of success. The ostensible basis of the demands was invariably the higher cost of living, which in the last analysis was due, even during the war, to this process of raising wages and shortening hours in one line of human activity after another, thereby increasing the cost of producing and manufacturing, in which labor cost is in nearly every instance the largest item.

While the rise in the cost of living served as the pretext for many of labor's demands, often they were put forth without any reference of relevancy to the cost of living, but made on the general theory that the work people were entitled to a larger share of the good things of life, and now that they were, by reason of the war, in position to enforce their claim, it would be folly not to avail of the opportunity. While the war continued in progress, the purpose was not thus openly avowed, but subsequently all disguise in that respect was cast aside. A special War Labor Board had been created for the purpose of passing upon disputes between employer and employee. This Board, however, really had no more freedom of action than the employer himself. Its main function seemed to be to tone down proposed advances in wages, which in the first instance were made unduly high so as to allow room for toning them down. The War Labor Board did not care to run the risk of incurring the displeasure of labor, in view of the imperative need of keeping the laboring classes satisfied and contented so that there should be no cessation from work, and the employee in submitting his case to the War Labor Board hence had practical assurance that he would be granted *some* advance.

It was supposed that the high wages would belong merely to the period of the war, and that with the close of hostilities wages would even if only gradually tend to a lower level again. Indeed, many of the wage increases had been definitely limited to the period of the war. There were skeptics, it must be admitted, who

Eugene G. Grace

doubted that wages established during the period of the war would easily or quickly come down again. But at least hardly any one imagined that wages would rise still higher—that on top of the increases made during the war and arising out of that emergency there would be further and even more striking increases than those already granted. And herein lies one of the main reasons for the mistake made in prognosticating the course of the year. The labor cost of an article, constitutes as already stated, by far the greater part of the total cost of such article with relatively few exceptions, and with this labor cost rising still further, instead of diminishing, as had been supposed would be the case, there could be no reduction in prices, and in turn so long as prices remained at such high levels, with the tendency higher instead of lower, there could be no contraction, no deflation after the previous great inflation. The wage demands of 1919 were as numerous as had been those of 1917 and 1918. Labor would abate not a jot of the advantage it had gained during the war. On the contrary, as already noted, it insisted on pressing its advantage still further. Even early in the year, when conditions appeared to be unfavorable for the assertion of further demands by the laboring classes because of military demobilization there was a manifestation of the spirit on the part of labor that was to dominate everything else during the year.

As one indication of this there was the demand of the operatives in the cotton mills of New England. At the opening of the year 1919 the situation in the cotton goods trade was decidely chaotic, and during January sharp reductions in the prices of cotton goods were announced, while raw cotton also suffered a sharp decline. Production of textiles was reduced and advices from all mill centres were to the effect that further curtailment was in evidence. Print cloths at Fall River were marked down every two or three days. The high price in 1918 had been 14 cents a yard, reached in May; at the opening of 1919 the quotation was 9.75 cents per yard; on Jan. 13 there was a reduction to 9.50 cents: on Jan. 16 to 9.25 cents; on Jan. 18 to 9 cents; on Jan. 21 to 8.75 cents; on Jan. 27 to 8.50 cents, and on Jan. 30 to 8 cents. Though the moment was wholly unpropitious for new labor demands, either in the way of shorter hours or increased pay, yet at this very time the cotton operatives launched a movement for reduced hours, they demanding a 48-hour week, but at the pay they were then receiving for 54 hours. At Lawrence, Mass., a strike actually resulted because of the refusal of the manufacturers to comply with the demand. At Fall River and quite generally elsewhere the 48-hour week was put into effect early in February on the basis of pay for the time actually worked. As it happened, however, later on the outlook in the cotton goods trade improved and the following May a voluntary increase was granted to virtually all cotton mill workers, and became effective June 2. This last served to end a strike at Lawrence, which had lasted some 15 weeks and involved about 25,000 workers. This advance made the new wage basis 39.10 cents for weaving a cut of cloth 47½ yards of 64 x 64, 28-inch printing cloths compared with only 22.71 cents at the beginning of 1916. Even that, however, did not suffice to prevent subsequent demands for still other increases. On Dec. 1 the operatives at Fall River engaged in a one-day strike because of the refusal of the Cotton Manufacturers' Association to grant an additional increase of 25% on top of the prodigious advances previously made and the unprecedently high wage scale already prevailing. By this time, the cotton manufacturing industry was on a highly prosperous basis again, the demand for goods having outstripped the production and sent prices of goods skyward; nevertheless, the manufacturers found they could not grant a further increase of 25%. They did, however, tender an increase of 12½%, raising the weaving price of a cut of cloth up to 44.98 cents. This offer was accepted by the mill workers and they returned to work the next day.

The price of printing cloths at Fall River continued to decline during the early months of the year until on March 7 it was down to 6.75 cents. Thereafter, however, improvement began, and by the end of the year the quotation was 14.50 cents. The extreme urgency of the demand for goods made possible this great advance in price. Early in 1919, following the signing of the armistice the previous November, when prices were plunging downward with such great rapidity and everybody was looking for still lower prices, there had been very extensive cancellations of orders. Contraiwise, when it was seen that expectations of still lower prices were not to be realized new orders began to pour in, in excess of the capacity of the mills to take care of the same—especially on the basis of the 48-hour week now in force all over New England as against the previous 54-hour week—and all were anxious to secure prompt deliveries. The obtaining of prompt deliveries was very difficult, and in numerous instances quite impossible, and this had the effect of bringing additional orders, purchasers seeking to provide for future demands by placing orders well ahead of prospective needs. In this cotton goods trade the situation finally became so acute, owing to the inability of the mills to provide supplies for immediate delivery, that prices no longer were any consideration. In other words, purchasers were willing to pay almost any figure if only they could obtain the goods.

The experiences of the cotton mill operatives in New England in the matter of wages was duplicated in practically all other lines of industry, with one or two exceptions. Not only was labor able to retain the high wages of 1918, granted while the country was

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still engaged in military operations, but to get still further increases. Wage increases followed one another in rapid succession. As it happened, too, the demand for labor continued far in excess of the supply. The return to their ordinary pursuits of 4,000,000 robust young men from the army did not operate at all to produce any over-supply of labor as had been feared might be the case when 1919 opened. Thus labor was in position to command its own terms. And, as already noted, it pushed its advantages to the utmost. It made, in many cases, simultaneous demands for increased wages and decreased hours, and with rare exceptions succeeded in getting at least the major portion of what it asked for.

As the result of these repeated wage increases and the exceedingly high levels of wages thereby established the weekly income of the wage-earning classes, who of course constitute the bulk of the population, was raised to figures which previous to the war no one of them would have dared hope for even in his wildest fancy. Men who had been getting $3 or $3.50 a day could now command $6 or $7 or $8, or even $10 a day. And they proceeded to spend these large earnings with the utmost prodigality. The department stores in the different cities never did a larger nor a more profitable business, they were in the heyday of their prosperity. That class of the population dependent upon fixed incomes which cannot be readily changed—such as college professors, school teachers, post-office employees and municipal and State officials, as also the widow and other dependents deriving their main support from the income of special funds provided for their protection—found the high cost of living a serious drawback to comfortable existence. Not so the laboring classes, with their new-found ability to fix wages to their own liking and as high as they pleased. As already stated, they spent the money as freely as it came to them. They seemed to feel that they had come into a new privilege. Saving, economy and thrift were thrown into limbo. They bought only the most expensive things and showed contempt for low-priced articles. The department stores were not slow to fix prices accordingly. Silk shirts and other luxuries were what appealed to these peoples, now suddenly blessed with large incomes —incomes surpassing that of the professional man, enjoying the advantages of a college education and long years of training and study—and nothing seemed so high-priced as to be beyond their reach.

Buying without stint and in the most reckless fashion, they found over and over again that even the extra large income they were now enjoying did not suffice for their needs according to the changed habits they were now indulging. Instead of realizing that they were indulging in an orgy of extravagance and that virtually the whole laboring community were doing the same thing, the difficulty of making even an enormously enlarged income cover their swollen outlays simply bred and paved the way for new demands of further wage increases. And so the process went on. Each wage increase led to further extravagance and greater recklessness of expenditure, and the inevitable demand of still greater pay undeviatingly followed. Labor union leaders made charges of profiteering against the manufacturer and trader, and more or less profiteering was unquestionably indulged in — the seller raising his price not only sufficiently to cover the added labor cost, but to leave a little extra profit for himself—but in the last analysis the trouble was with the laboring man himself and his family. By raising his own wages over and over again, and thereby adding to labor cost, and doing this in one line of industry after another through the whole gamut of industries, he made advances in prices an absolute necessity and by supporting high values by his own reckless and unrestrained buying he encouraged those having goods to dispose of to make inordinate advances in price levels.

Thus labor really became the victim of its own greed for more and still more. And yet all the time labor had the remedy within its own hands. It could at any time have forced a reduction in the high cost of living if it had entered upon a policy of studiously declining to purchase high-priced articles. Then such articles would have become unsalable, would have become a drug upon the market, making reductions necessary in order to dispose of the goods instead of permitting further advances. Leaders in the economic world everywhere were urgent saving, economy and thrift as the one soverign remedy against the cost of living, but there is not on record a single instance where labor union officials gave the same advice or recommended the practice of similar virtues. Instead they urged further wage increases, and the laboring man was taught that the employer was helpless as against the united and concerted demand of the employee.

Wage increases and price increases succeeded one another with such undeviating regularity that the matter finally became generally referred to as the operation

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of the "vicious circle." It is to be said that late in the summer a glimmer of intelligence did seem to dawn upon the heads of at least one large labor body as to the working of this "vicious principle." On July 30, Warren S. Stone, Grand Chief of the Brotherhood of Locomotive Engineers, and the other members of the Advisory Board of that Brotherhood, presented a statement, which was addressed to President Wilson and "Gentlemen of the Cabinet," with reference to the "increasing costs of living commodities." This statement pointed out that at a meeting of the Advisory Board held in Cleveland the matter of an increase in compensation "commensurate with the conditions we find because of the constantly increasing cost of living commodities" had been thoroughly considered. The statement went on to say that a widespread spirit of unrest existed among all classes, especially among wage-earners "whose wages will no longer provide adequate food, shelter and raiment for themselves and families." The belief was expresed that this situation had been brought about "mainly by conscienceless profiteering by the great interests who have secured control of all necessaries of life." The Brotherhood men declared that they found themselves obliged "to again request an increase in wages to meet the mounting cost of living." They went further, however—and here there appeared the first glimmer of sense that seemed to have dawned upon the laboring world—and declared that they felt that "should this request be granted the relief would be but temporary should prices continue to soar." To this, they added the following significant remark: "We believe the true remedy for the situation and one that will result in lifting the burden under which

Warren S. Stone

the whole people are struggling is for the Government to take some adequate measures to reduce the cost of the necessaries of life to a figure that the present wages and income of the people will meet. Should this not be considered feasible we will be forced to urge that those whom we represent be granted an increase in wages to meet the deterioration of the purchasing price of the dollar, be that what it may, which can be easily determined by competent authority."

The Brotherhood men contended that the members of the Brotherhood were really earning less money than prior to the war, inasmuch as "a daily wage of $5 prior to the war, which at that time was worth 500 cents, is to-day worth approximately, judging from competent authority, only $2.15." They said they did not "believe that increasing the compensation accompanied by a greater increase in the cost of commodities of life, will produce lasting benefits to our craft or to the American citizen in general." They sought an audience with the President and his Cabinet for the purpose of laying this situation before him.

There appeared some prospect of relief from the growing advances in wages in Grand Chief Stone's attitude regarding the barren advantage to be derived from increases in wages where attended by renewed rise in the cost of living. Unfortunately, however, Mr. Stone did not show much much confidence in the efficacy of his own sugestions, and it quickly became apparent that the railway unions, the Brotherhood of Locomotive Engineers among them, were aiming for the complete domination and control of the railroad system of the country by the employees. Grand Chief Stone's petition to the President proved only the prelude to the submission of very radical propositions on behalf of railway labor. In this new endeavor, the employees of the railroads were perhaps no more dictatorial than the wage-earning classes generally had become, but the comprehensiveness of the scheme for bringing the whole carrying industry under the dominion of the employees served to arouse public attention to what was going on and resulted in the defeat of the scheme. The unions saw opportunity for launching their proposal in the circumstance that the railroad situation was becoming very complicated because railroad employees who, in 1918, when Mr. McAdoo was Director-General of Railroads, had been awarded such prodigious wage increases were again active in trying to secure additional increases. On July 31, William G. Lee, President of the Brotherhood of Railway Trainmen, announced that a resolution adopted the day before by a special committee of 16 appointed at a then recent convention of the trainmen at Columbus, Ohio, would be sent to the Railroad Administration, saying that unless the Railroad Administration took action by October 1 on the demands of the Brotherhood, that wages of the trainmen either be increased or the cost of living reduced, steps would be taken looking to the enforcement of the demands. The Railroad Shopmen were also asking concessions of various kinds, including a request for "a very substantial increase in wages." Thereupon (namely on August 1), President Wilson addressed a letter to Representative Esch, Chairman of the House Committee on Inter-State and Foreign Commerce, and to Senator Cummins, of the Senate Inter-State Commerce Committee, recommending that Congress create a Board empowered to investigate and pass on all railroad wage problems. The President's letter was prompted by a communication he had received from Walker D. Hines, the new Director-General of Railroads, calling attention to the wage demands of the Railroad Shopmen, and suggesting the creation of such a Board. The President endorsed the suggestion and urged it upon the attention of Congress. The President suggested that the Board proposed also be empowered to fix transportation rates. Since the question of rates was so closely allied to the wage problem, the President expressed the hope that it would be possible for the committee addressed "to consider and recommend legislation which will provide a body of the proper constitution, authorized to investigate and determine all questions concerning the wages of railway employees, and which will also make the decisions of that body mandatory upon the rate-making body, and provide, when necessary, increased rates to cover any recommended increases in wages and therefore in the cost of operating the railroads." Director-General Hines, in his communication, had urged that any general increase to shop employees would result in demands for corresponding increases to every other class of railroad employees. The situation, therefore, he asserted, could not be viewed except as a whole for the entire 2,000,000 railroad employees. Viewed as a whole, every increase of one cent an hour meant an increase of $50,000,000 a year in operating expenses for straight time, with a substantial addition for necessary overtime. The increase of 12 cents per hour asked for by the shop employees would, if applied to all employees, mean (including necessary overtime) an increase of probably $800,000,000 per year in operating

Frank W. Mondell

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expenses. It should be added that the President considered the railroad wage situation so serious that on the same day (August 1) he also sent a letter to Speaker Gillett of the House of Representatives and Majority Leader Mondell, asking that the recess which

Frederick H. Gillett

the House had proposed to take with the consent of the Senate (which was engaged in discussions of the Treaty of Peace), beginning August 2 and continuing until September 9, be postponed until a later date.

The President's proposal, however, of a special Board to deal at once with the question of wages and rates did not appeal to the different Brotherhoods. On August 6, 14 of the principal railroad unions, acting as a unit, presented to Mr. Hines their demands for increased wages, at the same time expressing their disapproval of the President's recommendations that a special Federal Commission be constituted to settle the problems arising out of the demands of the railroad workers. They also asked that the Director-General endorse the so-called Plumb Plan, providing for Government ownership of the railroad systems of the country with a share in their management and profits for the workers, as embodied in a bill placed before the House of Representatives on August 2 by Representative Simms. In their letter to Mr. Hines they declared that railway employees were entitled to compensation which would at least re-establish the pre-war purchasing power of their wage. They would not admit that rates of pay to employees and transportation charges were in any way correlated. "Minimum rates of pay should be sufficient to guarantee to the most unskilled employee an adequate living wage, with such additional amounts as will meet the necessities incident to old age, injury, sickness and death, and higher rates based upon the skill, responsibility and hazard required and involved. Also these wage rates should be such as will compare favorably to the wages paid for similar service in other industries." They could not sanction the plan proposed by the Director-General and approved by the President for a Congressional Committee, for the reason that it meant months of delay at a time when the questions involved required immediate settlement. With reference to the Plumb Plan embodied in the Simms Bill, they urged that if enacted into law it would give to the Inter-State Commerce Commission its original authority over transportation rates, and employees could not hope for increases in rates of pay except as they resulted from economy and efficiency in operation due to their own collective efforts.

In the meantime, however—and this proved the most disturbing development of all, because it disclosed so plainly the purpose and object in view — the four brotherhoods of railroad employees, with the ten affiliated railway organizations of the American Federation of Labor, claiming to represent altogether 2,200,000 workers, had on August 2 issued a statement at Washington announcing that they were "in no mood to brook the return of the lines to their former control, since all the plans suggested for this settlement of the problems leave labor essentially where it has stood and where it is determined not to stand," and embodying most radical propositions of their own for dealing with the matter. They said: "Our proposal is to operate the railroads democratically, applying the principles to industry for which, in international affairs, the nation has perticipated in a world war." They added: "President Wilson declared in his message of May 20, 1919 for the 'genuine democratization of industry, based upon a full recognition of the right of those who work, in whatever rank, to participate in some organic way in every decision which directly affects their welfare in the part they are to play in industry.' He spoke plainly in behalf of a 'genuine cooperation and partnership based upon real community of interest and participation in control.'" The employees then went on to demand Government acquisition of the railroads and their operation on a profit-sharing basis for the benefit of employees. Among other things which the brotherhoods now demanded were representation on a directorate of 15 which should operate the systems and a share for labor of the surplus at the end of each year after operating costs had been met and fixed charges paid. The provisions of the bill presented to Congress on behalf of the four brotherhoods were outlined by Representative Simms as follows:

1. Purchase by the Government on valuation as determined finally by the Courts.

2. Operation by Directorate of 15, five to be chosen by the President to represent the public, five to be elected by the operating officials, and five by the classified employees.

Samuel Gompers

3. Equal division of surplus, after paying fixed charges and operating costs, between the public and the employees.

4. Automatic reduction of rates when the employees' share of surplus is more than 5% of gross operating revenue.

5. Regional operation as a unified system.

6. Building of extensions at expense of the communites benefited in proportion to the benefit.

Representative Simms added that the Executive Council of the American Federation of Labor had been instructed at Atlantic City the previous June 17 to cooperate with the organizations representing the railroad employees. This it had done, and Samuel Gompers, President of the American Federation of Labor, was Honorary President, and Warren S. Stone, head of the Brotherhood of Locomotive Engineers, was President of the Plumb Plan League, formed to urge the Simms Bill before the country. As a matter of fact, in a statement issued on August 4 at Washington by the Railway Brotherhood leaders, setting forth the demands of labor respecting a change in industrial management and policy, the proposed legislation for the reorganization of railroad management embodied in the Simms Bill was characterized as "Labor's bill."

In view of the attitude of the railway unions regarding the President's suggestion of a special body for dealing with wages and rates, the President did not urge the suggestion any further. Moreover, in a letter from Senator Cummins, received on August 7, the President was advised that while the Senate Committee on Inter-State Commerce recognized the gravity of the situation, it felt that Congress had already given the Executive "complete and plenary authority to deal with the existing situation and that additional legislation at this time can add nothing whatever to your power in the premises." In the meantime a considerable number of railway employees had gone on strike, against the advice of their national leaders. Accordingly, the President the same day (August 7) addressed a letter to Mr. Hines, authorizing him to say to the railroad shop employees that the

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question of wages they had raised would be taken up and considered on its merits by the Director-General himself, but only in conference with their duly accredited representatives. The President at the same time stated that "concerned and very careful consideration is being given by the entire Government to the question of reducing the high cost of living."

The statement given out by the four Brotherhoods on August 2 and joined in by the American Federation of Labor declaring that railroad employees were "in no mood to brook the return of the lines to their former control," and expressing adherence to the Simms Bill embodying the Plumb Plan for turning the operation of the roads over to the employees and their unions was construed as a threat on the part of the union leaders to tie up the railroad system of the country with a strike in order to force the adoption of the ideas embodied in the Plumb proposition. The attempt to influence legislation by such reprehensible methods met with almost universal condemnation on the part of the press and evoked indignant protest from all quarters. Accordingly, the heads of the different railway organizations on August 9 thought it best to issue an explantory statement regarding labor's stand on the Simms bill. In this they declared that "in proposing the elimination of capital and the tripartite directorate we have no purpose of intimidation," and saying, "we appeal to the statesmanship of America and to the common sense of American manhood and womanhood. To prevent any misunderstanding as to the policy of the organized railroad employees we unite in a definite assertion that we have no desire and have had none to impress upon the public by violence or by threats our proposal that the railroads be nationalized under triparite control." It was significant of the hostility that had rapidly developed against the Plumb scheme and the identification of the American Federation with the same that after a conference in Washington of the Executive Council of the Federation which extended over three days, namely August 28, 29 and 30, announcement came saying that the Council had concluded to defer final action on the proposition.

In all this it was presently to appear that they had gauged public sentiment and the attitude of the Administration at Washington aright. The President might have the deepest sympathy with labor and be inclined to espouse the cause of labor unions as he had done on so many occasions in the past, but he was nevertheless proceeding to aim a body blow at their new aspirations. On August 25 Mr. Wilson made it plain that the demands of the railway shopmen for increases amounting to from 15 to 27 cents an hour would only serve to result in still further increasing the costs of production and therefore the cost of labor. The men had been receiving 58, 63 and 68 cents per hour and now demanded 85 cents cents per hour. In statements issued on that day by him, along with a report by Director-General of Railroads Hines, emphasis was laid on the fact that the demands for the increases asked for could not be met. On the other hand, in an endeavor to effect an adjustment of the wages of shopmen to conform to the basis of pay of other railroad employees, the Administration awarded the shopmen 4 cents additional an hour. Even this, it subsequently developed, would add $45,000,000 to the annual payroll of the railroads. Following a conference with representatives of the shopmen on August 25 the President issued two statements, one to the shopmen and the other to the public in general. In the latter, the President dealt with the demands of the shopmen and stated that, in determining the issue, "We are not studying the balance sheets of corporations merely; we are in effect determining the burden of taxation which must fall upon the people of the country in general." The shopmen had urged in support of their claims the very serious increase in the cost of living. The President referred to this as "a very potent argument, indeed," but added: "The fact is, the cost of living has certainly reached its peak and will probably be lowered by the efforts which are now everywhere being concerted and carried out. It will certainly be lowered so soon as there are settled conditions of production and of commerce [here the President took advantage of the opportunity to spur the Senate to action on the Peace Treaty], that is, so soon as the Treaty of Peace is ratified and in operation, and merchants, manufacturers, farmers, miners, all have a certain basis of calculation as to what their business would be and what the conditions will be under which it must be conducted." Continuing in this strain the President pointed out that the demands of the shopmen and all similar demands were in effect this:

"That we make increases in wages, which are likely to be permanent, in order to meet a temporary situation which will last nobody can certainly tell how long, but in all probability only for a limited time. Increases in wages will, moreover, certainly result in still further increasing the cost of production and therefore the cost of living, and we should only have to go through the same process again. Any substantial increase of wages in leading lines of industry at this time would utterly crush the general campaign which the Government is waging, with energy, vigor and substantial hope of success, to reduce the high cost of living. And the increases by the cost of transportation which would necessarily result from increases in the wages of railway employees would more certainly and more immediately have that effect than any other enhanced wage costs. Only by keeping the cost of production on its present level, by increasing production and by rigid economy and saving on the part of the people, can we hope for large decreases in the burdensome cost of living which now weighs us down."

In conclusion the President expressed the belief that in the circumstances it would be clear "to every thoughtful American, including the shopmen themselves when they have taken second thought, and to all wage-earners of every kind, that we ought to postpone questions of this sort till normal conditions come again and we have the opportunity for certain calculation as to the relation between wages and the cost of living. It is the duty of every citizen of the country to insist upon a truce in such contests until intelligent settlement can be made and made by peaceful and effective common counsel." The President cautioned that "demands unwisely made and passionately insisted upon at this time menace the peace and prosperity of the country as nothing else could and thus contribute to bring about the very results which such demands are intended to remedy."

In his statement to the shopmen the President told them "we are face to face with a situation which is more likely to affect the happiness and prosperity, and even the life, of our people than the war itself. We have now got to do nothing less than bring our industries and our labor of every kind back to a normal basis after the greatest upheaval known to history, and the winter just ahead of us may bring suffering infinitely greater than the war brought upon us if we blunder or fail in the process." The President did not hestitate to say that if the "efforts to bring the cost of living down should fail, after we have had time enough to establish either success or failure, it will, of course, be necessary to accept the higher costs of living as a permanent basis of adjustment, and railway wages should be readjusted along with the rest." All that he was now urging, he insisted, was that "we should not be guilty of the inexcusable inconsistency of making general increases in wages on the assumption that the present cost of living will be permanent at the very time that we are trying with great confidence to reduce the cost of living and are able to say that it is actually beginning to fall."

The President finally ventured the opinion that legislation dealing with the future of the railroads would in explicit terms af-

(Continued on page 1107)

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ford adequate protection for the interest of the employees of the roads, but, quite apart from that, it was clear that no legislation could make the railways other than what they are, a great public interest, and it was "not likely that the President of the United States, whether in possession and control of the railroads or not, will lack opportunity or persuasive force to influence the decision of ques-

John J. Esch

tions arising between the managers of the railroads and the railway employees. The employees may rest assured that during my term of office, whether I am in actual possession of the railroads or not, I shall not fail to exert the full influence of the Executive to see that justice is done them."

The most encouraging feature about the President's action was that it quickly became evident that his appeal to the shopmen would be effective. While it had been decided on August 26 to put to a vote of the local unions the question of accepting or rejecting the President's appeal to the shopmen to defer their demands for higher wages, a later communication to the local unions, by the heads of the organizations involved, issued on August 28, recommended that the question of suspending work be left in the hands of the officers of these organizations, "with the understanding that no strike order will be issued unless such action becomes absolutely necessary to meet the conditions arising from the present situation, or joint action with other railroad organizations for a general wage increase." The instructions of August 28, which were in a much more conciliatory tone than those issued August 26, also stated that "it is our honest judgment that a fatal mistake would be made by our members to assume the responsibility of tying up the railroads at this time when the President is evidently doing all possible to reduce the high cost of living." The instructions to the local shopmen's union on August 26 had been sent out after Director-General of Railroads Walker D. Hines had been advised by representatives of the railroad shop craft committee of 100 that "know the sentiment of the membership," the committee could not "accept as a basis of settlement the rates established in his proposition submitted by the President." Previously a vote in favor of a strike effective September 2 had been taken and it was stated on August 26 that 95% of the men had registered in favor of a strike. The President's overtures operated to set aside this strike vote and to put the question to the men anew, who then agreed to abide by the President's decision. The unauthorized strikes of the shopmen in different parts of the country were gradually abandoned.

For the rest of the year the Railroad Administration, backed by the President, consistently adhered to the policy laid down in the foregoing. There were special wage increases, but no general ones, and the special increases were mostly claimed to be by way of adjustment. Unauthorized strikes, that is where the men quit work without the sanction or in direct opposition to the wishes of their leaders, were summarily dealt with. These unauthorized strikes, while of sporadic occurrence, were not in all cases without importance, and indeed some of them proved quite disturbing. An instance of this kind occurred out in California in August, just about the time the Railroad Administration was engrossed in the consideration of the railway shopmen's demands, and the identification of the brotherhood and other railway organizations with the Plumb Plan for the "democratization" of the railroad industries. A strike of the employees of the Pacific Electric Railway, controlled by the Southern Pacific, but not under Government operation, led to a sympathetic strike of the railway workers on certain of the Government controlled lines running out of Los Angeles—the Southern Pacific, the Santa Fe and the Salt Lake lines operated by Government — and caused the complete tying up of railroad operations in parts of California, Arizona and Nevada. After the strike had been in progress for some days, Director-General Hines on August 28 issued an ultimatum to the strikers, commanding them to return to work. After pointing out that the employees on the steam railroads had quit work without any grievance being presented or alleged, and stating that the action of these strikers was a violation and repudiation of the agreements between the employees and the railroads upon which they worked and also of the national agreement between the U. S. Railroad Administration and the chief executives of the organizations to which the strikers belonged, such national agreement providing for the adjustment of all causes of complaint in an orderly manner without suspension of work, Mr. Hines gave notice that all striking employees who did not report for duty by August 30 at seven in the morning would be regarded as having terminated their employment and their places would be filled. Not only that, but anyone who interfered with or impeded the running of trains would be committing an offense against the United States and would be arrested and prosecuted accordingly. This proved sufficient in this instance. The strikers had derived encouragement in the early stages of the movement from a telegram claimed to have been received August 24 by Los Angeles officers of the Railroad Brotherhoods from W. G. Lee, President of the Brotherhood of Railway Trainmen, stating that, "while the strike was not authorized the usual penalties of the Brotherhood accompanying the unauthorized strikes would not be exacted in this case in connection with any action the strikers might take." When, however, Mr. Lee and Warren S. Stone, the Grand Chief of the Brotherhood of Locomotive Engineers, got knowledge of the attitude which the Railroad Administration was taking, they both advised all members of their respective unions that a sympathetic strike would not be countenanced and indicating the penalties that had been visited upon offenders who had engaged in unauthorized strikes.

There were a number of wage *adjustments* adverted to above. While the amounts involved in none of the cases were of the prodigious magnitude of the wage increases made the previous year when Mr. McAdoo was Director-General, yet they represented a considerable sum in the aggregate. We have already referred to the wage increase granted the railway shopmen, and which was not at all satisfactory to them. In November a higher wage scale, embodying equalization of the earnings of the railway train service men engaged in slow freight service, and which it was estimated would add $3,000,000 a month or $36,000,000 a year to the payroll, was submitted to representatives of the four big Railroad Brotherhoods. The Railroad Administration, in submitting this proposal, announced that the policy adopted the previous August of not considering increases in the general level of railroad wages until a reasonable opportunity had been afforded to ascertain the result of the efforts

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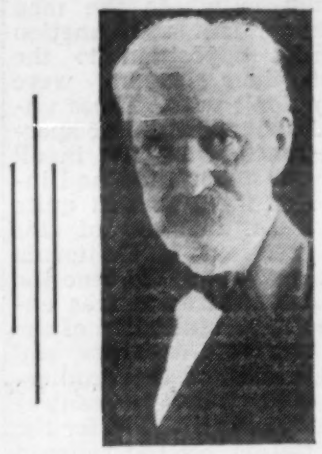
of the Government to reduce the cost of living, had not been departed from, and that the proposed increase was merely with the view "to correct unjust inequalities as between different classes of railroad labor." New wage demands, however, kept pouring in, and on November 28 the general chairmen of the Brotherhood of Locomotive Firemen and Enginemen, about 180 in number, met in separate session at Cleveland and discussed the demands of their organization for a wage increase of 40 to 45%. Their demands had been presented to the Railroad Administration in September, but no reply had been received. The Brotherhood of Railway Trainmen, who made similar demands at the time, were advised, as noted above, that the time was not opportune and that they must await the result of the efforts to reduce the cost of living.

From what has been said it will have been gathered that the task of running and administering the railroads was not an easy one. Nor were railroad developments favorable in other respects. With railroad wages continuing to mount upward, and with other concessions to railway employees and with numerous other drawbacks, a further large augmentation in the expenses occurred, still further diminishing the net income out of which the Government guaranteed rental had to be paid. Returns compiled by us, covering the returns filed with the Inter-State Commerce Commission by all railroads having gross operating revenue in excess of $1,000,000 per annum, showed an increase in the gross earnings for the twelve months of 1919, as compared with the twelve months of 1918, of $258,130,137, following an increase in 1918 over 1917 of $863,892,744. On the other hand, because of an augmentation in expenditures of $401,609,745, net for 1919 was $143,479,608 smaller than for 1918, and this came after a loss in 1918, as compared with 1917, in the huge sum of $284,771,620. These are the results before the deduction of taxes and other items. With these deductions made, the remaining net income fell $377,037,622 short of meeting the Government guaranteed rental, which was very much larger than even in the calendar year 1918, when the loss to the Government amounted to $169,461,738.

Railroad securities remained under a cloud the whole year and railroad credit continued impaired throughout. Entirely aside from the direct loss incurred by the Government in the operation of the roads, continued Government control was not regarded with favor. The service was unquestionably poorer than under private control, the discipline more lax, with a marked impairment of efficiency and capacity on the part of the employees. Outside of railroad employees themselves, who had profited so much through Government administration of the roads, and who were naturally anxious to perpetuate and extend these benefits to themselves, there was practically no public sentiment in favor of Government retention of the roads—rather there was a pretty general desire to have the Government relinquish control at an early date. All this was pretty well established before the different Railroad Brotherhoods and the railroad unions connected with the American Federation of Labor made their bold proposition that the Government should acquire ownership of the roads and turn them over to the employees to operate in their own way and for their own benefit. The proposal was so coldly received that even the railway unions quickly began to see that nothing was to be gained by endeavoring to push the scheme, though the coal miners coquetted with it a little, since they themselves were engaged in a movement to obtain a further large increase in their wage scales and thought that the support of the railway employees might be useful to that end. Indeed, before it became apparent how severely the public was inclined to frown upon such projects, some radical propagandists were talking wildly of the impending nationalization of both the railroad carrying industry and the coal mining industry.

The President himself was never in doubt as to public sentiment with reference to continued operation of the roads by the Government. While still in France, he took occasion when addressing Congress, which had been convened by him in extra session on May 19, to notify Congress that he had made up his mind as to the date when the roads should be returned to private control. In a very brief but wholly unqualified manner, he announced his conclusion in that respect, saying simply: "The railroads will be handed over to the owners at the end of the calendar year."

Of course, it was not possible to turn the properties back to their shareholders and directors without making legislative provision that would permit the step, since two years of Government operation had so completely altered the entire railroad status that it was out of the question to hand them over willy-nilly. The President hoped that by giving the legislative body long notice in advance of his intentions it would have ample time to perfect the needed legislation. But Congress dilly-dallied and delayed and procrastinated so that the year actually closed with no new acts on the statute books for dealing with the matter. It was not until November 17, shortly before the ending of the long extra session, that the House passed what was known as the Esch Railroad Bill, which embodied some radical and undesirable features. The Senate, in turn, passed a substitute measure,



Albert B. Cummins

the work of Chairman Cummins, of the Senate Committee on Inter-State Commerce, but this was not until December 20. The President then stepped in and gave Congress two months more of grace in which to perfect the necessary legislation. In a proclamation issued on December 24 the President fixed March 1 as the date for the termination of Government control. The statement given out by the President's private secretary, Joseph P. Tumulty, in connection with the proclamation, after adverting to the message of the President the previous May, indicating the President's intention to restore the roads to their owners at the end of the calendar year 1919, went on to say that "in the present circumstances, no agreement having yet been reached by the two Houses of Congress in respect to legislation on the subject, it becomes necessary in the public interest to allow a reasonable time to elapse between the issuing of the proclamation and the date of its actually taking effect." Therefore, transfer of possession back to the railroad companies was fixed so as to become effective at 12.01 a. m. March 1, 1920. It now depended upon the conferees on the part of the two Houses of Congress to reconcile the differences between the two bills and submit a compromise measure. This proved a long and difficult task, and it was not until Feb. 18, 1920, that the compromise bill could be submitted to the House of Representatives, which then set Saturday, Feb. 21, for action upon it, when it passed that body by the decisive majority of 250 to 150, notwithstanding vehement opposition on the part of the American Federation of Labor and the railway labor unions to the labor provisions in the bill. The Senate in turn passed the bill on Feb. 23 in face of similar opposition on the part of the labor unions, the vote being 47 to 17. The labor unions sought to prevail upon the President to veto the measure, but this move also proved ineffective, and the bill became a law on Feb. 28.

Among the notable events of 1919 in labor matters were the strike in the steel industry and the bituminous coal miners' strike. These both occurred in the later months, and hence disappointed the expectations raised in August, when the President requested labor organizations to hold in abeyance for the time being demands for wage increases and other concessions until he had had opportunity to see if the cost of living could not be substantially reduced — a request which it seemed at first would meet with ready compliance. The strike in the steel industry was begun on Sept. 22. It was inaugurated at the instance of the leaders of the unions of iron and steel workers affiliated with the American Federation of Labor, which had undertaken to organize all steel workers and bring them under Federation control, thus carrying out their long announced threat in that respect. This was not a strike for increased wages, but was for the avowed purpose of gaining from the United States Steel Corporation recognition of labor unionism and the principle of the "closed shop." Judge Elbert H. Gary, Chairman of the U. S. Steel Corporation, took a firm stand in opposition to the principle of the "closed shop," pointing out that it "means that no man can obtain employment in that shop except through and on the terms and conditions imposed by the labor unions. He is compelled to join the union and to submit to the dictation of its leader before he can enter the place of business. If he joins the union he is then restricted by its leaders as to place of work, hours of work (and therefore amount of compensation) and advancement in position regardless of merit; and sometimes, by the dictum of the union leader, called out and prevented from working for days or weeks, although he has no real grievance, and he and his family are suffering for want of the necessities of life." Judge Gary declared that the country would not stand for the "closed shop." It could not afford it, he said, adding, "in the light of experience we know it would signify decreased production, increased cost of living, with initiative, development and enterprise dwarfed. It would be the beginning of industrial decay and an injustice to the workmen themselves, who prosper only when industry succeeds."

Judge Gary declined to receive a committee of union men sent to discuss the matter with him on threat of a strike for non-compliance, first because he did not believe the men were authorized to speak for large numbers of the Corporation's employees, and secondly because it seemed to him that a conference with them would be treated by them as a recognition of the "closed shop" method of employment. The President sought to prevail upon the leaders to defer the strike, but the effort proved unavailing. The union men in control of the movement were made up of very radical thinkers, John Fitzpatrick being chairman of the National Committee for the Organization of Steel Workers of the American Federation of Labor, and the committee comprising among others William Z. Foster, who had formerly been active on behalf of the I. W. W. (Industrial Workers of the World), and who some years before had written a book in collaboration with other writers, entitled "Syndicalism," in which social revolution and the destruction of the wage system, together with other radical doctrines, was advocated. As indicating Chairman Fitzpatrick's views, he was quoted as having

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said, after the adjournment of the committee meeting on Sept. 18, when a motion to rescind the action previously taken calling the strike was voted down, notwithstanding the President's request to that effect: "We are going to socialize the basic industries of the United States. This is the beginning of the fight. We are going to have representatives on the Board of Directors of the Steel Corporation. President Wilson has promised that, in effect, in his program for the placing of industry on a better basis." In testifying before the Senate Committee on Labor and Education, which undertook an investigation of the causes of the strike, Chairman Fitzpatrick admitted that the strike was called as the result of a referendum vote in which only 100,000 of the 500,000 steel workers which he sought to involve in the strike had voted, though he claimed there were 50,000 more by the time the vote was counted. In the end the strike proved a blessing in disguise, for after it had been inaugurated it quickly became apparent that the movement was foredoomed to defeat. The number of steel workers who joined the ranks of the strikers was far less than had been supposed might be the case, and with the beginning of the second week of the conflict it was seen the strike was certain to fail. The strike assumed important dimensions only in the West, and at the Gary steel plants the military had to be called out to suppress the disorders which resulted. At all points, notwithstanding temporary successes at the start, the strikers quickly lost ground. The plants of the Bethlehem Steel Co. were not included in the original strike order, but on Sept. 27 the National Committee of the Iron and Steel Workers, at a meeting at Pittsburgh, proclaimed a strike at these plants, too (to go into effect Monday, Sept. 29), after E. G. Grace, the President of the Company, had declined to accede to the demand for a conference with the unions. The outcome in this last instance merely served further to demonstrate the weakness of the whole affair, for the strike at the Bethlehem plants proved an absolute fizzle. The strike leaders kept putting forth claims of important successes until the end of the year, but while the output of both iron and steel was substantially reduced in October, the strike practically ceased to be an influence after that month. As late as Dec. 13 and Dec. 14 the presidents of 24 unions connected with the steel industry voted to continue the strike, though it had for some time been virtually a thing of the past. It was not until Jan. 8 of the new year that the strike was officially called off.

It deserves to be noticed that early in October the leaders in the steel workers' strike sought to avert the defeat of the movement, which even then was impending, by a clever attempt to secure indorsement of their cause at the hands of an outside agency. On Oct. 6, the National Industrial Conference of representatives of capital, labor and the public, which President Wilson had called some time before, to "discuss fundamental means of bettering the whole relationship of capital and labor," opened at Washington. At the very outset of the meeting of this industrial conference, Samuel Gompers, the Chairman of the Labor Group, introduced a resolution proposing the appointment of a committee to whom should be referred for settlement the questions at issue in the steel controversy. Pending the findings of the committee, the workers were to be requested to return to work (which now, with certain defeat ahead, they were willing to do, although they would not refrain from striking when requested by the President) and the employers were to reinstate them in their former position. Fortunately, however, Judge Elbert H. Gary was able to thwart this audacious move on the part of the Labor Group. Mr. Gary firmly opposed the attempt to have the Industrial Conference come to the rescue of the misled steel workers. He declared he was of the fixed opinion that the strike should not be arbitrated, or compromised, nor any action taken by the Conference bearing upon the subject. In the end, the resolution was defeated, the Employers' Group and the Public Group voting against it. The Industrial Conference itself succeeded in accomplishing nothing. It split, nominally on the question of collective bargaining, but actually on the right of outside organizations like the American Federation of Labor "butting in" and representing workers banded together under shop organizations and engaged in bargaining directly with the employer. After being defeated on this issue and on the Steel resolution the Labor Group quit the Conference on Oct. 22. The Conference adjourned the next day.

On November 20, the President called a new Industrial Conference to meet in Washington beginning Dec. 1. The new Conference was called in response to a recommendation made to the President by the Public Group of the old Conference. Unlike the latter, the new Conference was not made up of distinctive groups. Instead, all the conferees were appointed to act in the interest of the people as a whole. Seventeen persons were named by the President to function in the new body; "all of the new representatives," said the President, in his letter of invitation, "should have concern that our industries may be conducted with such regard for justice and fair dealing that the workman will feel himself induced to put forth his best efforts, that the employer will have

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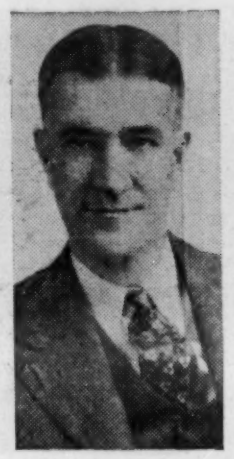

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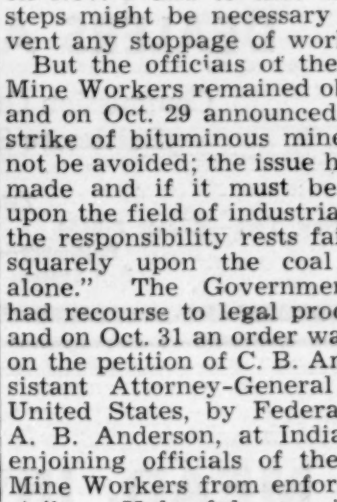
The First Year After World War I

(Continued from page 1109)

an encouraging profit, and that the public will not suffer at the hands of either class." This new Conference, after having met on the date set deliberated privately, and in the new year put forth a rather ambitious project for promoting harmony between capital and labor.

Strike of the Bituminous Coal Miners

More serious than the steel strike was the strike of the bituminous coal miners. Strenuous efforts were made by the authorities at Washington to avert this strike at the soft coal mines. The miners' demands had been formulated at the International Convention of the United Mine Workers of America at Cleveland, Ohio. The Convention closed on Sept. 23, after adopting resolutions for nationalization of the coal mines through Governement purchase of the mines, and for a working alliance with railroad employees to secure the adoption of the Plumb plan for nationalization of the railroads. A joint wage conference of the miners' representatives and the coal operators convened at Buffalo during the week of Sept. 25. Having been unable to reach an agreement, it was announced on Oct. 2 that the conference would recess until Oct. 9, at which time a sub-committee of the conference would renew the consideration of the miners' demand at Philadelphia. This subcommittee, which was composed of two operators and two miners from each of the four States represented, namely, Ohio, Indiana, Illinois and Western Pennsylvania, met at Philadelphia on Oct. 9, and after a three-day session announced on Oct. 11 that it had been unable to come to an agreement and that the conference would be adjourned. The operators the same day (Oct. 11) issued a statement asserting that the existing wage scale would not expire until April 1, 1920, or until the President should officially promulgate peace. The demand of the miners was for a 60% increase in wages, a maximum six-hour day, and a five-day week, with time and a half for overtime and double time for work on Sundays and holidays. Secretary Wilson of the Department of Labor was unremitting in his endeavors to avert the strike. The official strike order, calling upon all union bituminous coal miners to stop work at midnight Oct. 31, was issued to 4,000 local unions on Oct. 15 by John L. Lewis, as Acting President of the United Mine Workers. Secretary Wilson continued his efforts, however, but all to no purpose. Finally, after an all-day meeting of the President's Cabinet, the President issued a statement from the White House Oct. 25. He characterized the strike as "one of the gravest steps ever proposed in this country affecting the economic welfare and the domestic comfort and health of the people." He said it was "proposed to abrogate an agreement as to wages which was made with the sanction of the U. S. Fuel Administration, which was to run during the continuance of the war but not beyond April 1, 1920." He said he felt convinced that when the time and manner were considered the proposed strike constituted "a fundamental attack, which is wrong morally and legally, upon the rights of society and upon the welfare of our country." He added: "When a movement reaches a point where it appears to involve practically the entire productive capacity of the country with respect to one of the most vital necessities of daily domestic and industrial life, and when the movement is asserted in the circumstances I have stated and at a time and in a manner calculated to involve the maximum of danger to the public welfare in this critical hour of our country's life, the public interest becomes the paramount consideration." He said furthermore that he felt it his duty "in the public interest to declare that any attempt to carry out the purpose of this strike and thus to paralyze the industry of the country, with the consequent suffering and distress of all our



C. B. Ames

people, must be considered a grave moral and legal wrong against the Government and the people of the United States." The law would be enforced and means would be found "to protect the interest of the nation in any emergency that may arise out of this unhappy business." In the circumstances he "solemnly" requested both the national and the local officers and also the individual members of the United Mine Workers of America to recall all orders looking to a strike on Nov. 1 and to take whatever steps might be necessary to prevent any stoppage of work.

But the officials of the United Mine Workers remained obdurate, and on Oct. 29 announced "that a strike of bituminous miners cannot be avoided; the issue had been made and if it must be settled upon the field of industrial battle, the responsibility rests fairly and squarely upon the coal barons alone." The Government then had recourse to legal proceedings and on Oct. 31 an order was issued on the petition of C. B. Ames, Assistant Attorney-General of the United States, by Federal Judge A. B. Anderson, at Indianapolis, enjoining officials of the United Mine Workers from enforcing the strike. Unlawful conspiracy to limit the output and facilities for the transportation of coal was charged in the proceedings. Hearing on the injunction came up Nov. 8, and the Court then directed the recall of the strike order, to which the mining leaders rendered compliance, though in the meantime the strike had gone into effect Nov. 1. The view of this action of the Government taken by the miners was indicated by the comment of President Lewis, to the effect that he regarded "the issuance of this injunction as the most sweeping abrogation of the right of citizens guaranteed under the Constitution and defined by statutory law that has ever been issued by any Federal Court."

It quickly appeared that it was one thing for a court to direct a recall of a strike order, but quite a different thing to get the strikers to return to work. As a matter of fact, only a very limited number of the miners in various parts of the country saw fit to go back and resume mining. The great bulk of the strikers simply stayed out. In the meantime the Administration authorities renewed their efforts to bring about an adjustment of the wage controversy between miners and operators, but again failed. No basis could be found acceptable to miners and operators alike. As a last expedient, the Fuel Administrator, Dr. Harry A. Garfield, backed by the members of the President's Cabinet, prescribed the conditions which both miners and operators would be obliged to accept. Under these conditions the miners were to get a 14% advance in wages, in addition to the large advances obtained by them in October, 1917, while the operators were to sell coal at the same price as before, the hours of labor remaining unchanged, that is, an eight-hour day for six days a week. The miners, however, appealed to the President and obtained what virtually amounted to a modification of these terms. On Dec. 6 Attorney-General Palmer announced, on behalf of the President, that, as soon as the miners returned to work on the basis of the 14% increase in wages (with which the miners were wholly dissatisfied) he would appoint a commission of three, including representatives of the operators and miners, to decide upon a further increase in wages and settlement of other questions in dispute. This proposition district representatives of the United Mine Workers at a conference decided to accept, and the miners thereupon immediately returned to work. Dr. Harry A. Garfield, however, tendered his resignation as Fuel Administrator, and the President then appointed Walker D. Hines in his place. Mr. Garfield's plan, as stated, provided a 14% wage advance, but it virtually precluded any further advance beyond this, since it was made with the idea that there should be no advance in the price of coal to the consumer.

Another of the conspicuous labor troubles of the year involved the printing trade in New York City. Owing to a combined lockout and strike, extending to the whole 250 or more establishments engaged in book and magazine and job work throughout the city, and involving all the pressmen and assistants and the press

Albert B. Anderson

feeders employed in these establishments, virtually all the weekly and monthly papers and magazines found it impossible to get out their customary issues. The typesetters, also, in great measure joined in the movement. Under the rules of the International Typographical Union, the members of that union were unable to engage in a strike without the sanction of the international body, and to strike, therefore, would have involved the risk of expulsion from that body, but large numbers of these typesetters took "vacations" instead, and in that way managed to abstain from work. The demand related to both wages and hours of work. The unions asked for a $14 increase in wages, with a reduction in the number of hours from 48 per week to 44. The employing printers offered a $6 wage increase, and the adoption of the 44-hour week on May 1, 1921. The unions were willing to let the matter of increase in pay go to arbitration in accordance with the request of the employers, but would not submit to arbitration the question of the immediate introduction of the 44-hour week. The Typographical Union, however, meeting on Sunday, Nov. 23, decided to let the question of the 44-hour week go to arbitration along with their wage demands. Only the previous Sunday the members of the "Big Six" Typographical Union, at a mass

(Continued on page 1111)

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The First Year After World War I

(Continued from page 1110)

meeting had voted to stay away from their jobs until their demands should be granted. But by this time the number of the "vacationists" had increased to such an extent that the employing printers finally refused to

Dr. H. A. Garfield

continue negotiations with the officers of the union, and protested to the International Typographical Union that the action of the "vacationists" was equivalent to a strike. As a result, the Executive Council of the International body issued a mandate peremptorily ordering the "vacationists" to return to work, the threat of penalization by the International Union was held over their heads in the event of failure to comply. This proved effective. Following the action of the Typographical Union, the pressmen's and feeders' unions, who had seceded from their International bodies, voted to rejoin the latter. Work was generally resumed Nov. 24. Throughout the strike, the International Printing Pressmen and Assistants' Union had supported the employing printers, and had opened offices here to recruit pressroom workers to fill the places of those who, because of

A. Mitchell Palmer

their affiliations with the four outlawed local unions, had been refused re-employment. The number of recruits obtained, however, had proved very small. The strike and lockout had begun October 1, and the trouble, therefore, lasted pretty nearly two months, during all of which time nearly all the leading weekly and monthly publications found it impossible to bring out their regular issues, though one or two of them, and notably the Literary Digest, were issued in reduced size, the text matter being reproduced from plates made from photographic copies of typewritten manuscripts. The arbitration resulted in giving the typesetters $9 a week increase, raising the scale of pay from $36 to $45, but on the basis of the continuance of the 48-hour week until May 1, 1921.

The Volume of Business

While the year 1919 was a period of undoubted great trade activity—taking trade as a whole without regard to conditions in many separate industries—and of advancing prices and large profits, it may be questioned whether the volume of business in the aggregate was fully equal to that of the previous year when the war was still in progress and all energies were employed in the endeavor to bring production in what were termed the "essential" industries to the top-notch—"essential" here meaning indispensable to the conduct of the war. In what are ordinarily considered basic industries, more particularly iron and steel as one and coal mining as another, production was heavily reduced. The output of bituminous coal in the United States in 1919 is put at only 458,063,000 tons, as against 579,385,820 tons in 1918, and 551,790,563 tons in 1917; and the production of Pennsylvania anthracite for 1919 at 86,200,000 tons, as against 98,826,084 tons in 1918 and 99,611,811 tons in 1917. In the case of copper, too, there was a very considerable diminution in production—the shrinkage being figured at over 600,000,000 pounds—the production of refined copper for 1919 being put at 1,863,580,381 pounds, against 2,476,077,401 pounds in 1918 and 2,507,663,067 pounds in 1917. According to the American Iron and Steel Institute, the make of pig iron in 1919 reached only 31,015,364 tons which compared with 39,054,644 tons in 1918 and 38,621,216 tons in 1917. In all these instances a falling off seemed natural as a result of the cessation of hostilities; and the labor troubles just referred to tended still further to cut down the output. In the case of coal, mining in 1918 had been pushed to the utmost since without adequate supplies of fuel, arranged for in advance, operations in the essential industries to full limits could not have been maintained and might have been checked altogether. To guard against contingencies, coal production had to be stimulated even beyond immediate requirements, otherwise the consequences might have been very serious. What was involved in the coal trade in the change from a war basis to a peace basis was at once recognized when the armistice was signed in November, 1918, for coal production was immediately allowed to fall off. In the first part of 1919 the loss from the corresponding months of 1918 was very striking, and in the case of the anthracite shipments the exceedingly mild winter, as contrasted with the extraordinarily severe weather experienced during the early months of 1918, came in as an additional factor operating in the same direction. In the closing months of 1919 the strike in the bituminous regions while it lasted reduced coal production to small proportions. In the matter of iron and steel the cessation of war activities meant that iron and steel would now be constituent elements merely in peace products and no longer have their chief use in the turning out of war materials. The transformation here quite obviously was more decided than in any other industry and that circumstance alone inevitably tended to produce a state of quietude such as was the characteristic of the early months of 1919. In addition, differences of opinion with reference to the new and lower schedules of prices to be put in force, and some sharp disputes between Government bodies as to what the new prices should be, served further to promote the disinclination to engage in ordinary business undertakings. Here, too, labor troubles—both in the steel industry itself, and later in the coal industry, this last serving to deprive iron and steel making concerns of needed supplies of fuel — acted further to reduce production after the early period of quietness had given place to a renewed demand for all leading products of iron and steel and now of a quite urgent character. In copper the elimination of all war demands necessarily entirely changed the aspect of that trade, the more so as huge stocks of the metal accumulated in 1918 on the supposition that they would be needed by the War Department, were now freed for other uses.

In the building trades there was naturally a tremendous revival of activity. Following the entrance of the United States into the war in April, 1917, the erection of buildings for private use had to be almost completely eliminated except so far as new structures had to be erected as an incident to the conduct of the war itself in order that the materials that would have gone into the ordinary buildings might be available for war uses. As a result of this enforced restriction a great and unprecedented scarcity of housing accommodations developed—not alone for dwelling purposes, but for office and business needs. Property valuations consequently went up and so did rents—at first in a slow and cautious way (own-

(Continued on page 1112)

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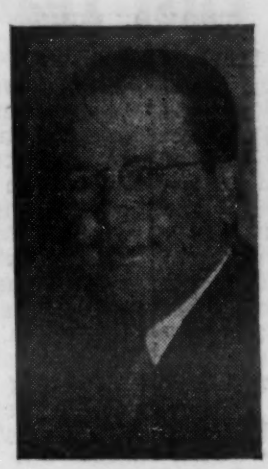

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The First Year After World War I

(Continued from page 1111)

ers succeeded in getting good prices for parcels which had long been unsalable), and then at the very close of the year with great rapidity. All this served to release pent-up energies in the building lines. At first it was a question how far builders would go in the attemps to relieve the shortage. The cost of materials was high, labor unruly and demanding steadily increasing compensation and insisting on shorter hours along with other concessions which made the labor cost almost prohibitory, besides which, on account of the attitude of labor, contractors had to assume great risks in venturing upon engagements looking to the future since a seeming gain might be turned into a serious loss by further labor demands which would have to be granted as the alternative to a strike and a complete stoppage of work involving even more serious loss. As a matter of fact, new labor troubles kept steadily arising in the buildings trades, constituting a formidable obstacle in the carrying out of new projects. In addition, money rates were ruling high and real estate mortgages were not easy to obtain. Nevertheless despite all these drawbacks new work on a very extensive scale was planned and in no small degree carried to completion, this last being due to the fact that owing to the scarcity of housing accommodations purchasers finally got into a mood where they were willing to pay almost any price in order to supply their needs, thus enabling the builder to recover all his outlays and make a profit besides. Carefully compiled statistics published by the "Commercial & Financial Chronicle" show that at 286 cities in the United States the contemplated outlay under permits issued during the 12 months of 1919 aggregated no less than $1,505,317,260 (the heaviest total on record for any calendar year), against $496,537,914, the exceptionally small total for 1918, and $819,241,507 for 1917.

As regards business generally, it is exceedingly difficult to say in any particular case whether the *volume* of business in 1919 was equal to that of 1918. Expressed in money the business, with relatively few exceptions, was unquestionably larger, but that has little bearing upon the volume of business transacted—the number of separate units handled and dealt in—since prices ruled so very much higher that that circumstance alone tended to raise the aggregate sales value to heavily increased levels. Retail business, it seems safe to say, surpassed all previous records. This was because the wage-earning classes received higher pay than ever before and spent the money with the greatest freedom—even with recklessness. As pointed out above, they crowded the department stores to the doors and were wholly indifferent as to the prices charged. It was because of these large sales at retail that the demand upon jobbers and wholesalers, and in turn upon manufacturers, was so urgent and the main consideration everywhere seemed to be to get goods, wholly irrespective of prices.

The Country's Foreign Commerce

In our foreign trade the totals reached unprecedented figures, the high record established in 1917 being surpassed by a wide margin. In brief, the value of the merchandise exports for 1919 was $7,922,150,592 against $6,149,087,545 in 1918, $6,233,512,597 in 1917 and only $2,113,624,050 in 1914. The total of the merchandise imports was $3,904,406,327 in 1919 against $3,031,212,710 in 1918, $2,952,467,955 in 1917 and only $1,789,276,001 in 1914. Here, too, the higher prices played an important part in swelling the totals—not so very much so in the comparison between 1919 and 1918, but accounting for the greater

(Continued on page 1120)

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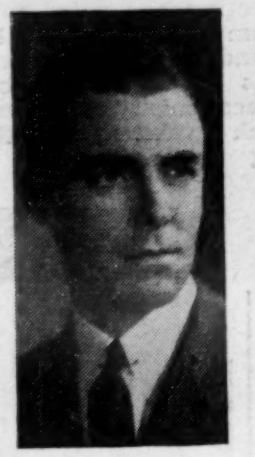

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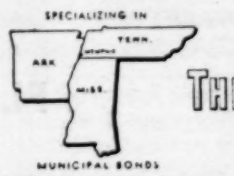

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Future American Foreign Investments

(Continued from page 1075)

trine have not yet learned to be creditors. If they would study the attitude of the rich in their domestic investments they would judge the international position better and clearer. What does a rich man who can live from his regular business, and therefore invests his surplus capital in oil or steel, in railways or public utilities, really want from these shares and bonds or participations? On the one hand he wants capital appreciation or as much security against depreciation as possible; on the other hand, he wants command of money, of purchasing power either at the moment he chooses or after a fixed shorter or longer period. If he owns, for instance, the Sun Oil shares mentioned above, the cash yield on his investment is almost negligible, but in his true balance sheet (not the one for tax purposes) he has more capital every year. At the same time, he can dispose of his investment any day. Not that he has a claim against the company, but there is a ready market for the shares and if he needs money to buy a house or to enlarge his business, there will always be somebody who is able and by all probability willing to buy his shares.

The analogy to this of a rich nation is evident. As long as the fundamental conditions do not change, a rich nation does not wish to repatriate its capital. It is satisfied with having it on its books, provided the investment is reasonably safe and profitable.

The individual capitalist wants to have a regular market where he can dispose of his investment. But this market may just as well be in New York and not in the country where the industrial plant or mine is situated and has its legal domicile.

If this worked for European investments on all continents and in dozens of countries, there is no valid reason why it should not do so for investors in the United States. For many decades South Africa was not able to repurchase its mining shares, especially when the successful entrepreneurs have moved their offices from Johannesburg to Throgmorton Street and their residences to Park Lane and their Surrey Estates.

Perhaps the Netherlands will pay or buy back its foreign investments rather soon, but Ruritania or Iraq will need or can use advantageously additional capital. When—contrary to expectations—Britain needed its foreign investments for the settlement of her trade balances during both World Wars, there were naturally countries having favorable balance of payment who were potential and actual buyers. There can be no adverse balance of one country without the complementary favorable balances in other countries.

If we can rely upon a repetition of our experiences in the 19th or 20th Centuries, even including the inter-war period from 1918-1939, everything would be very simple, at least for the former rich and now only temporarily impoverished countries of Western Europe. Britain, France, Holland, Belgium will, after a period of transition, not need any additional foreign capital. They will supply it themselves and after a number

(Continued on page 1114)

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Future American Foreign Investments

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of years produce a surplus above consumption and new home investments, i.e., they will, with their traditional psychology of capitalistic creditors, export capital or repay foreign capital. China, India or Iran, the South American Republics and Eastern Europe may be legitimate importers of capital for 100 years — as the United States had been until shortly before the first World War.

If one should predict the American trade balance of 1970 — or perhaps of 2000—he must expect it to have changed a great deal. With, say 160 million inhabitants, the highest standard of life, i.e., of consumption, there will hardly be any export of agricultural products, nor of mineral oil, nor of many finished products, for which the high American wage level cannot be compensated by a productivity of labor which the other countries have not yet achieved. If that should then be the case, the interest received from foreign investments may be used to settle the difference between exports and imports, i.e., the United States would cease to increase its foreign investments. This assumption is certainly just a marginal case of zero. The situation may be like that in England before 1914, in which part of the interest received was transferred, and part reinvested abroad, or it may be as in the years just before this war in England, when foreign investments on balance decreased and the repatriated capital was used at home for the so-called new industries.

III

Some practical men with a great disdain for theory and an ardent faith in their own intuition will not be convinced by the foregoing arguments, which anyhow can only scratch the problem and can not explicitly confute the so-called historical arguments of the inter-war period. Perhaps the following remarks which try to give some examples or a kind of a model of what may be expected in the future will find more favor with them. These remarks are based on certain estimates covering former times as well as future years. These may be open to many doubts, but nevertheless will be found fundamentally correct in their relative position.

Britain is said to have had a total national income before this war of 22-25 billion dollars of which she saved, i.e., used for net investment about 2-2½ billion dollars. This British income included $1 billion from foreign investments which have since been partly sold, and partly are still in enemy hands and may not yield any profit right after liberation. It also included the shipping income which in the first few post bellum years is expected to stay at least at pre-war levels; and the banking and insurance services which in all probability will bring considerably less until the British economy is restored on a secure basis.

Anyhow, one can expect that the British industry and largely expanded agriculture with a high rate of employment and many extensions and improvements made during the war will not fall below their pre-war status provided the necessary raw materials are at hand. In other words, the decrease of the British national income—in pre-war values—is certainly not supposed to be larger than the two billion dollars per annum formerly saved. That means that Britain will be able to cover her consumption needs including regular amortization or replacement of capital goods from the very beginning of the post-war period. What she needs—aside from the temporary financing of raw materials, part of which she will pay with her own accumulated stocks of wool, cocoa, etc.—are sums for capital formation.

This is merely a bookkeeping view. In reality, Britain will have to import consumption goods and raw materials for which she pays with finished goods, shipping facilities, etc., and she will furnish herself by far the greater part of the capital goods for her domestic use. But then she will be short of foreign exchange to pay for her imports.

During the last years of the inter-war period, this domestic capital investment in England—net capital formation—for production goods as well as housing, etc., was estimated at more than 2,000 million dollars, or perhaps taking into account the disinvestment outside of Britain, at 2,500 million dollars. These years were a period of substantial construction for the new industries and of 300,000 homes per annum.

The needs for the reconstruction of shattered cities as well as for the reconversion and modernization of British industry will be large; but speaking in 1938 prices, they ought not to surpass 4,000 million dollars in the average of each of the first five post-war years, since it would be difficult to find the skilled labor and the material (bricks, etc.) for a quicker pace of building, repairing and installing of machinery—beyond the normal replacement.

The productivity of the new machinery, etc., i.e., its marginal utility, will be very high if the capital is employed most efficiently. This certainly will be true when the British coal industry, suffering for decades from the diminutive size of many mines is reorganized in large units with all modern implements. Only moderately smaller are the possibilities for a rationalization and modernization of her steel works and, according to the often-quoted perhaps over-critical British report on textiles for a great part, certainly not all of these industries.

If 4 billion dollars per annum are invested for five years and the British economy is working full speed, one may safely predict that the productivity of Britain will be raised by about a billion dollars per year, in each of the first five years. On that basis the United Kingdom will have a surplus of one billion in the second year, two billion in the third, three billion in the fourth and four billion in the fifth from her own production for capital formation. Or in five years 20 billion would have been invested, one half from foreign, one half from domestic sources.

From about that point on the situation may change somewhat. The marginal productivity of additional capital will decrease. At the same time, the British people will become less willing to save instead of raising their standard of life, or to use Keynes' expression, "the propensity to consume" will somewhat increase. Presuming that from the sixth year on, only 3 billion dollars will be saved with an increase of the national product at first of 500 million dollars, going down slowly to about 200 million dollars Britain will accomplish inside of ten years in increase in production of 30% above the level of the first post-war year, or 20% above pre-war levels. Such figures are not at all fantastic or even over-optimistic. They are in range with the experience of the United States in the "Twenties" and certainly of Germany between 1924 and 1930.

After these domestic adjustments, Britain will soon come to the point when it will be more profitable for her to invest part of the savings either in enterprises abroad or in repurchasing the loans and shareholdings of foreigners in the United Kingdom. This condition will be reached the sooner because for years to come the increase of the British population will be rather slow or even negative, irrespective of predictions what the post-war period will bring about in birth and death rates. At any rate, after the construction of 2 to 3 million homes inside of six to ten years, this expenditure will dwindle to relatively small amounts, a fact which even today worries the British who would like to have a large labor force in the building industry at present but cannot foresee work for all of them for more than five to ten years. If, on the other hand, the residential building is spread over a longer period, the present capital and labor needs will be so much smaller (the most optimistic British experts hope for the construction of 300,000 to 400,000 new homes per annum at an average cost price of $3,000 to $4,000 with a much smaller figure for the first one or two years.

IV

Nobody is asked to accept these figures as absolute truth. But fundamentally they are approximately correct and constitute a true model of Britain's prospective recovery.

To recapitulate, Britain has an enormous demand for foreign capital for reconstruction, modernization and replenishment of stocks. This demand can very well be satisfied in a few years to a great extent from the United States, but to a certain degree also from Switzerland, Sweden, etc. With a high productivity reached through such investment, Britain will soon be able to finance her needs alone despite higher consumption. She will be richer than she is now. The percentage of foreign capital in Britain, never enormous with say $10 billion new capital imports (plus blocked accounts less foreign investments retained by British subjects and companies) will gradually decrease and soon she will not only be richer internally but her international balance will rapidly improve either by an increase of her foreign assets or a decrease of her liabilities.

The only counter argument against this reasoning would be that one may expect the British, under an economic psychology of Sir William Beveridge and of John Maynard (now Lord) Keynes are not going to save, but will consume everything they can. This seems entirely improbable. Keynes, like Picasso, has had so many periods that one cannot in fairness use an argument of the theorist of 1936 against the statesman and director of the Bank of England of this hard year of 1945. Despite the understandable desire of the English laborer to raise his standard of life, one can safely predict that the wish and the political necessity to restore Britain's wealth and international position will for the next few years dominate all economic and financial decisions. This should be largely independent of which political party will be in power. It concerns the men in Westminster as well as employers and

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Future American Foreign Investments

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labor unions, all of which have certainly much to learn and something to forget in order to rebuild Britain on a safe basis.

The estimated need of foreign capital of four billion in the first year, three, two and one billion in the following years for the purpose of capital investment in Britain, as we have said before, is a bookkeeping figure. In fact, Britain will import only a small amount of capital goods and on balance will even export capital goods. Presuming a net capital formation of 4 billion and a gross capital formation of 6 to 7 billion dollars she will not need—and cannot use—more than a limited import of machinery, etc., and even not more than about one to one and half billion, including ore and metals, timber and the relatively small quantities of textile materials which are used in capital goods or even durable consumers' goods and housing. The physical equivalent of the foreign capital investment in a bookkeeping sense will have to consist of foodstuffs, raw materials for consumers' goods and for the first one or two years even some finished consumers' goods. For this very reason there will be only a limited opportunity of directly connecting the export of American goods to Britain with the capital transactions—as for instance can be done by building a railway in Ruritania or a power station in Urbania—which, in fact, will also not mean that more than one-third of the money can be spent outside of the country of use except for such articles as railway rolling stock and automotive vehicles.

If foodstuffs and raw materials will be shipped to England from other countries than the United States, such as Australia, Argentina, Brazil, it may be said that they may spend part of the proceeds in the United States. In fact, they will do so if our supposition is correct that Britain and Continental Europe are for the moment unable to satisfy the demand of the agricultural countries for capital goods and more or less durable consumers' goods. And this supposition is the basis for our whole argument. Otherwise—if Britain could export enough from the very beginning—she would not need any foreign capital to rebuild her economy.

However, a substantial part of the foodstuffs and commodities for England as well as for the western continental countries will come from the United States. In fact, at least the wheat, the corn and the cotton are financially and physically in the hands of the Federal Government, either as directly owned or as controlled by virtue of the loans to the farmers. It may be just as well to leave this part of financing to direct Government agreements. No new outlay of money for the American Treasury is involved, since it is more or less the question of either exporting these stocks on long-term payments or keeping them here in the warehouses at Government expense. It is immaterial whether these commodity exports will be made under the name of lend-lease or under new agreements with another title. Assuming that only cotton for the home consumption of Europe is exported on long-term credits (or lend-lease), and the cotton used in British and continental exports of finished goods is being paid for, even if financed for the period of manufacturing and marketing, we estimate this agricultural export from the United States to Europe at 1,500 million dollars the first year, 1,000 million the second, and about 500-750 million each in the third-fourth, and fifth years. This will practically cover all American agricultural exports to be financed by the Government.

A second source of financing European capital needs will spring from the large American companies with present or future European affiliations, through wholly-owned subsidiaries or even minority participation. With the exception of Germany, the reconstruction of these American-owned plants and installations in Europe will require but moderate amounts. One may foresee that some new connections will be established between American machinery, motor and chemical firms with both old and new European factories of similar kind. But many legal and psychological obstacles on both sides of the ocean will keep this sort of participation within bounds.

A wider field will be found in providing capital for the exploitation of European-owned mines and oil wells in other continents, especially in Africa and Asia. While this may also come under the following two categories of private purchases of securities and special holding companies, it will certainly be easier until the American public is more accustomed to foreign investments to let the Standard Oil or the Texas Corp., the Anaconda or American Smelting act as financier. For the period of transition the typical American investor will prefer an American company with large foreign assets to the Creole Petroleum Co. or Chile Copper. Anyhow, we can expect the introduction of some foreign shares in the American market provided all formalities can be overcome and especially if it will be found possible to comply with the rules of the SEC. For foreign exchange purposes, it does not matter whether the investment will consist in participations in the leading industrial companies of Europe, such as Imperial Chemical, Distillers, Guinness and similar French and Belgian companies, or if it consists of South African gold shares, Dutch oil and rubber shares representing investments in other countries. Likewise, it is a mere question of expediency whether the foreign shares sold in this country comprise participations in old established mines and oil wells or in the new developments which will be started. That has to be decided upon in every single case according to the calculation and market opinion of the seller and the buyer or the American issuing house. In foreign exchange it is all the same whether New York buys Rand Mines and Sub-Nigel, giving thereby the British sellers the possibility of supplying the capital for the new extension of the South African Rand or America participates directly in these new developments.

Perhaps here in America, even more than in London, the public will prefer holding companies or investment trusts for this kind of business, expecting them to provide expert knowledge in the selection of foreign shares which at present are not familiar to them, despite the fact that it ought just as well be possible to acquaint the average American investor with East Geduld, Broken Hill, Katanga, Shell, and Anglo-Iranian, as with International Nickel, Cuban Sugar or United Fruit and Cerro de Pasco.

Foreign investment through the big American industrial companies, or through special holding companies and investment trusts—indirect investment, from the viewpoint of the American individual—may be the appropriate form for a large part of this business for one more reason. The American investor as well as the American speculator is very quick in his decisions—one may rather say erratic. Even if he buys his foreign shares today with a long-term view he will throw them on the market in the next minor recession or in the next bear market, which the Dow Theory predicts and its faithful followers duly aggravate. In this case the arbitrage operator would try to resell them to London or Amsterdam, where the big market for them may be. Such arbitrage would be perfectly right under ordinary conditions when England and Holland could take it. But as much as I agree with my friend Melchior Palyi* that

*Cf. his testimony before the House Committee on Banking and Currency, reprinted in the "Commercial and Financial Chronicle," April 26, 1945, page 1825, and May 10, page 2054.

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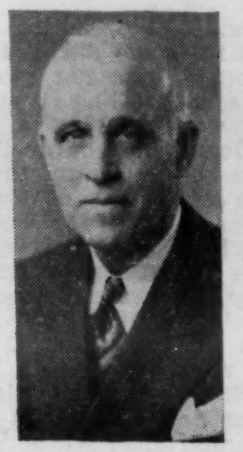

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Future American Foreign Investments

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freedom of capital movements is the ideal which we should strive to reach, or rather to regain, it will take some years until the European market and the normalcy of bank loans on international securities is well enough reestablished to allow such sudden disturbances. We are not going to have an absolutely unrestricted foreign exchange market in most countries of the world, at least for a few years, or if we have it, it will be only on the basis of other restrictions in transactions of goods and international capital transfers, etc.

It is advisable and for some years unavoidable, therefore, to keep the repatriation of such foreign investments within bounds or to surround it with some safeguards. This is nothing new or unheard of. The external loans of many nations were often restricted to foreign ownership and the issue of separate tranches in the respective capital markets worked as a relative, though not absolute, obstacle to untimely international sales.

The issue of certificates for foreign shares which alone may be good delivery at the Stock Exchange of the creditor country is well known in America and was the rule in Holland even if the switch from certificate to original share, and vice versa, was not more than a formality costing time and expense, and allowing a profitable arbitrage business to the experts.

One may remember the various issues of the Dawes and Young loan for Germany. Certainly a British investor could buy the American tranche which was not quoted in London, or vice versa, but ordinarily he preferred the securities traded on his Stock Exchange. There were similar arrangements for certain Russian Government loans before the first World War.

Such barriers to free international transactions which we all do not like will certainly be moderated and even disappear, one may almost say automatically disappear, as soon as the European countries have regained some kind of financial strength and international valuations have found a new normalcy. The acquisition of foreign securities by special holding companies, investment trusts and direct participations of American industrial companies, blocked for some years by private agreement, will make special legal restrictions to a great extent superfluous.

Despite the desire for the diversification of risks and the lure of countries far away, there can be found in normal times a certain nostalgia of securities or, more correctly expressed, a preference of investors for domestic values which sets free a tendency of repatriation as soon as conditions warrant it.

V

There is one more point to be cleared in connection with foreign investments. This is the tax question. With the new treaty between the United States and the United Kingdom awaiting the approval of the United States Senate, one serious impediment of foreign investment has been removed. But if America comes to the conclusion that an extension of foreign investments during the next few years is desirable, there are plenty of methods available to give such movement a good start. One of these would be to treat for tax purposes the income of a bona fide long-term investment in foreign securities as capital repayment either for a fixed number of years or until the capital is amortized to a certain extent. This privilege could be confined to special companies organized for this purpose and to subsidiaries or other permanent investments of American corporations. Or it could be granted in special cases and for individual countries, or may be made dependent upon certain restrictions as to the administration of the capital and the minimum period of investment.

There is no reason to fear that such privilege would cause too great an export of capital and a scarcity at home. But if, contrary to our prediction, this capital export should become too large, the privilege could be abolished for future transactions. One could easily provide that a presidential decree could terminate it at any time if the capital export should exceed the expected amount.

VI

According to latest figures published, the companies and individuals of the United States have a gross capital investment in foreign countries of over thirteen thousand million dollars. On the other hand, foreigners own about a similar amount in American securities, bank balances, etc. The creditors and debtors are not the same personally nor nationally.

We do not wish to discuss at length the question when, for what purpose, and under what conditions these foreign balances may be withdrawn. Let us only say that as long as the United States is considered the safest place politically as well as financially, which includes monetarily, by far the greater part of these foreign owned assets will either stay here as such or be used for payment of American goods. In fact, nothing but the danger of devaluation of the dollar will drive them away. Statistically it would amount to a decrease in assets owned by foreigners if some country draws on its American balances to pay for American cotton or locomotives or motor cars, but such transaction would not by itself disturb the foreign exchange market.

The thirteen billion foreign investments are really a very small amount for the American economy. Britain alone once had about twenty billion dollars of foreign investments, and the European continent probably at least as much (a certain deduction ought to be made from these forty billion dollars for duplications, inasmuch as French, Dutch, Swiss and Germans had invested some money in Britain and British organized foreign companies, or in their neighboring continental countries, and vice versa). Whatever way one figures it, the American foreign investments look small for the richest country in the world. This becomes even more pronounced if one deducts the 4,375 million dollars American capital invested in Canada which, despite the political and monetary frontier, are considered as like a domestic investment by many capitalists (all these figures do not include the old war debts nor the lend-lease advances of this war).

The individual capitalist of this country, which until the first World War was a debtor country, will certainly not be influenced by any motive of gratitude towards the European capitalists who helped to develop the railroads and industries of America, and, who, despite many losses, made a good profit on balance. Neither will the individual investor take into consideration the favorable results for the whole world, and not least for this country, which will spring from the quick recovery in Britain and continental western Europe. But providing there is not a sudden and fundamental change in the proportion of the national spending and saving, one can hardly expect a high marginal return for the great additional amounts which the American people in all probability would like to save, *i.e.*, to invest out of a national income of 125 billions or more. This is not, as some people claim, a pessimistic view of the American future, It does not mean "selling the United States short." To the contrary, it is the outcome of the very consciousness of American economic strength and productive capacity and of the wish of the people to increase their individual savings.

All our arguments for a large-scale investment have been confined to the western (and Scandinavian) European coun-

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tries, and especially to Britain. There are good reasons for putting them into the foreground of our considerations. First, their resilience, their prospect of recuperation, is for superior to that of other countries. Secondly, aside from Russia and China, which are special cases of more or less political decisions and therefore in the main of government financing, or what comes to the same, of the International Bank for Reconstruction and Development, the amounts which are needed and can reasonably be invested during the next five years are so much greater in these western European countries than in South America or other more agricultural regions, especially if we include the mining and oil drilling in British and Dutch colonies and dependencies and the British Dominions.

Third, these countries, especially Britain, are the great importers of foodstuffs and raw materials. Make them solvent and able to buy from Brazil, Argentina, India and Iran, and most of the problems of the South American and Asiatic countries will be solved with very moderate foreign capital for years to come. Contrariwise, if Europe is a poor buyer of foodstuffs and a relatively small consumer of raw materials, no financing of Guatemala and Chile will prevent a world depression, and such depression would make the new railway or the improved agriculture of these colonial countries to be financed by American and other foreign capital unprofitable.

This does not mean that there should not be some long-term financing of other countries even in the near future, but in order to do first things first, to establish an economic priority, a schedule of relative importance, the American private investor who is willing to put some money into foreign lands should look for the next few years mainly to England, France, Belgium and Holland, and to the mineral developments in other continents.

All our arguments are based on the assumption that we now shall have peace in Europe for a long time and, after the defeat of Japan, also in the Pacific, even if some nations do not exactly love each other or some individuals hate certain of their own compatriots more than anybody else. But if we consider the possibility of a less peaceful development, of permanent international tension, not to speak of actual war, in this case it will be of even greater importance to strengthen the ramparts we watch on the other shore of that sea which rightly has been called the modern Mediterranean, this western part of Europe which for all times from now on will be the first line of defense for the United States.

As to this military aspect, one may be allowed to quote General Eisenhower's words: "If there be a few misguided people that believe even you, here on the Missouri River, can separate yourselves from the problems of the world they had better look at the experience of this war. Rockets, before the termination of hostilities in Europe, were shooting through space 250 miles. . . . In another war, are you bold enough or brave enough to say those rockets won't be landing here? . . . You cannot be isolated. So the problems of Europe are yours, ours, whether we like it or not."

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Social Credit In Alberta

(Continued from page 1077)

justment Board to require the debtor to make speedy payment.

Effects Unfavorable

Meanwhile, the Aberhart Government was getting into hot water, as the depression still was on. Alberta's credit had been seriously damaged, and the business interests were demanding the repeal of all the objectionable legislation. On the other hand, the Alberta Basic Dividends Association was clamoring for early payment, and the left-wingers of the Party were urging the Government to more drastic action in strict conformity with the Douglas doctrine.

While Mr. Aberhart was trying to steer a middle course between the opposing interests, a committee of left-wingers in the cabinet, in consultation with John Hargrave, leader of the Social Credit Party in Great Britain—the Green Shirts—drafted a plan for pure social credit based on the three primary principles of the Douglas system: dividends to increase buying power, compensatory price discounts to control prices and prevent inflation, and a debt-free medium of exchange which circulates freely.

For the guidance of the Legislature and the information of the public, the committee, on Jan. 6, 1937, laid down the following 11 guiding principles of social credit:

1. The issue of debt-free money negotiable within the province.
2. A central Credit House with branches throughout the province.
3. A retail price discount system. Retailers would deduct a discount from their prices and be reimbursed in Alberta currency.
4. A Government propaganda bureau.
5. Extension of legislation adjusting public and private debts.
6. Reduction of taxation by the issue of interest-free money.
7. A provisional wholesale setup to handle Alberta's import and export trade. This bureau, for instance, would buy wheat with Alberta money and sell it for Canadian currency which would be used in future trading.
8. Interest-free loans of Alberta money or Canadian currency.
9. Monthly dividends of $5.00 to every registered citizen.
10. Alberta money to be legal tender within the province on penalty of liquidation of debts.
11. Development of natural resources in reserved areas through a social credit financial system and not by cutside capital.

Although the insurgents, in this report, had put their cards on the table, Mr. Aberhart hesitated to approve it altogether, fearing a constitutional crisis. Major Douglas sharply disagreed with the plan, whereupon Mr. Hargrave retaliated by saying: "I am afraid Major Douglas does not quite understand the situation."

Finding that the Government would not or could not follow his advice, Mr. Hargrave left the province. As he shook the snows of Alberta from his feet, he stated that he had found no social credit in operation, due to the fact that the Government lacked technical knowledge and courage.

Having failed in his mission, Mr. Hargrave went home to England, but the insurgents continued their agitation for more radical action, and might have ousted the Premier but for the compromise suggested by the Hon. Solon E. Low, Provincial Treasurer, who introduced a new Social Credit Bill providing for consumers' dividends to be paid monthly, establishment of credit houses, interest-free loans for agriculture and industry, and the creation of a credit certificate retirement fund. But the main change was provision for the appointment of a Social Credit Board of five House members who should select a commission of technical experts and, with their help devise a plan for real feasible social credit to be presented to the Legislature as soon as possible. The bill was given royal assent by Lieut. Governor J. C. Bowen on April 14, 1937.

Pursuant to this legislation the new Board consulted Major Douglas who, though declining to come to Alberta in person, sent two of his men: G. F. Powell, "efficiency expert," and L. D. Byrne, "technical expert"; but as the constitutional crisis which both Douglas and Aberhart had feared was already under way they might as well have stayed at home. Mr. Powell, indeed, in attacking the banks and nine prominent citizens as "bankers' toadies" got into serious trouble with the law of libel and was glad to go home to England; but Mr. Byrne has remained as a valued advisor of the Government until the present day.

The Constitutional Crisis

The constitutional crisis arose, as the Alberta Government might have expected, because of the fact that the province had exceeded its power under the British North America Act of 1867, which is the constitution of Canada. By this act the provinces were given jurisdiction over matters of local interest, including municipal government, prisons, hospitals, roads, property, and civil rights. To the Dominion Government were given all those broad powers affecting national interest, such as defense, banking, currency, and interest. Moreover, the powers not granted to the provinces were reserved to the Dominion and, in case of conflict of powers, the Dominion could override the provinces. Also, the Dominion was given the right to disallow any provincial act.

Already, on Feb. 19, 1937, in connection with six cases brought before the Alberta Supreme Court, Justice A. F. Ewing had declared the Reduction and Settlement of Debt Act *ultra vires* as dealing primarily with interest, a legislative field reserved to the Dominion. Four days later, a similar judgment was rendered in the same court by Justice W. C. Ives, who ruled unconstitutional the Provincial Securities Interest Act, cutting interest on Provincial bonds, savings certificates, and guaranteed securities.

Commenting on the contention of the province that the right to sue in such cases had been taken away by the act in question, Mr. Justice Ives said: "You can see what it does to the constitutional provisions of the British North America Act. By prohibiting court actions the government could pass all sorts of legislation regardless of authority."

Shortly after these decisions the Alberta Government declared a 60-day moratorium on private debts contracted before January, 1936, decided to ignore the judgments of the Supreme Court and offered half-interest rates on four maturing bond issues. Mr. Aberhart admitted, also, that he had been unable to keep his promise as to payment of dividends, but assured the people that the Government would "take final measures for further action."

By way of thus keeping faith with the people and as a gesture of defiance to the courts and the

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Social Credit In Alberta

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Dominion Government, in April, 1937, the new Social Credit Act and three other acts were passed repeating and reinforcing previous legislation, especially that reducing rates on public and private debts.

Strange to say, the government now appealed for help from their bitterest enemy, the chartered banks. In a circular letter sent out on July 22, 1937, the Hon. S. E. Low asked the banks to cooperate with the government "so that dividends, taxes, and debts may be dealt with promptly and in accord with the will of the people."

This action was in line with an extraordinary suggestion by Major Douglas that the province should touch a chartered bank for $5,000,000 repayable without interest, or, failing that, should call on holders of stocks and bonds to exchange them for new Alberta securities paying 1%.

In reply to the circular letter, Sidney H. Logan, President of the Canadian Bankers' Association, said that the banks were ready and willing to make their facilities available to the government and the public, as heretofore, "insofar as the services they are asked to perform are within the provisions of the Canadian Banking Act, and in keeping with the principles of sound banking."

Action Against the Banks

Having thus put the banks on record, Mr. Low introduced before a special session of the Legislature a bill to license and regulate chartered banks operating in the province; a second bill to block all appeals in Alberta courts on the constitutionality of Provincial laws; and a third bill designed to close the courts of Alberta to all bankers who refused to take out the licenses in question.

These bills passed the Legislature on Aug. 6, 1937, and were formally approved by the Lieutenant Governor. Naturally, they came speedily to the attention of the Dominion Government, whereupon the Prime Minister, the Rt. Hon W. L. Mackenzie King, in a telegram to Mr. Aberhart, requested the Alberta Government to refrain from enforcing the new legislation until it could be referred to the Supreme Court of Canada.

The request was indignantly denied by Mr. Aberhart who, in concluding a long message to Mr. King, said: "We respectfully submit that we are compelled by the mandate of our people to proceed with the enforcement of our legislation, and with due deference we suggest that the responsibility of questioning its validity should be assumed by those desiring to render it abortive."

A few hours after Mr. Aberhart's message was received, a meeting of the Dominion Cabinet was called and the acts in question were disallowed.

The disallowment aroused consternation and indignation in Alberta and protests came from Major Douglas and many other social crediti tors at home and abroad, questioning the right of Ottawa to disallow and insinuating that the banks controlled the policy of the Dominion Government. Encouraged by these protests and backed by the most of the social credit members of the Legislature, Mr. Aberhart denounced the banks, defied the Dominion Government, and promised more drastic legislation against them. In a letter to Premier King he said: "Our legislation is still law, and will remain law until declared *ultra vires* by the court."

More Legislation

The first step toward further legislation was taken on Aug. 25, 1937, when a new moratorium became effective postponing until March 1, 1938, with certain exceptions, debts owing to co-operatives and contracted prior to July 1, 1936.

Following that comparatively mild action the Legislature passed two bills for control of the chartered banks and one to control the press. The Credit Regulation Act so recently disallowed, was passed again, and a new bill was passed imposing special taxation upon the chartered banks, estimated to yield more than $2,000,000, on the ground that "credit costs the banks nothing."

The Press Control Act, strongly recommended by Major Douglas, was designed to empower the government to commandeer space in Alberta newspapers for government statements and to force the papers to divulge the sources of their information about government policies and doings.

These three bills were presented to the Lieutenant-Governor on Oct. 9, 1937, but royal assent was reserved in the following terms: "His Honor, the Lieutenant-Governor doth reserve these bills for the signification of His Excellency, the Governor-General's pleasure therein."

After this, Premier Aberhart, with the consent of his cabinet, retreated from his indefensible position and requested the Dominion Government to refer the proposed acts, and the question of disallowance as well, to the Supreme Court of Canada. This time the Dominion Government, instead of disallowing the bills, complied with Mr. Aberhart's request.

Acts Declared Unconstitutional

All the questions at issue were then referred to the Supreme Court and, after hearing both sides, decision was rendered on March 4, 1938, when the court ruled against Alberta as follows:

Powers of the Governor-General-in-Council to disallow provincial legislation were found valid and unrestricted.

Powers of the Lieutenant-Governor to reserve provincial legislation for the signification of the pleasure of the Governor-General were found valid and unrestricted.

The Alberta press control regulation and the bank taxation bills were found unconstitutional.

Mr. Justice L. A. Cameron declared that the Federal Parliament alone had power to control the freedom of the press and said that the press bill represented an interference with the workings of the parliamentary system.

The bills taxing and regulating the banks were, of course, declared unconstitutional as invading the field of banking reserved to the Dominion Government.

The Social Credit Act, parent act and corner stone of the social credit scheme, had not been referred to the courts, but Chief Justice Duff and Mr. Justice Davis volunteered the opinion that it was unconstitutional as interfering with the reserve powers of the Dominion Government in respect to money, banking, and inter-provincial trade and commerce.

Commenting on these devastating decisions on March 5, 1938, the Montreal "Gazette" editorially said: "The acts of the Legislature which were called in question cannot be enforced and the whole Social Credit structure, flimsy as it always was, has collapsed. The result is a triumph of sound constitutional procedure and clears the way for the gradual restoration of the credit of Alberta and for the eventual complete rehabilitation of the province as a co-operative entity in the conferation of the provinces."

Was this a prophetic utterance? It would almost seem so in view of the fact that since the debacle no important social credit legislation has been passed in Alberta, and the social crediters have given more attention to financial rehabilitation, the development of resources, and other practical economic problems.

Social Credit Party Survives

Social Credit as a purely provincial movement was dead, but the party survived and prospered, according to the well known habit —almost a law—of organizations to continue after their original purpose has been accomplished or

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Social Credit In Alberta

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has largely failed. Moreover, the Alberta Government — largely composed of schoolmasters—with all its vagaries, had given the province a fairly honest and economical administration, had tided over a desperate time of depression, had improved the school system, had gained experience and wisdom, and could be trusted to carry on pretty well for some time to come, and surely better than the Canadian Commonwealth Federation, which had won control in Saskatchewan and tried to lead Alberta also along the path of Socialism.

It was not surprising, therefore, that the Social Credit party, in spite of backsets, won 36 out of 57 seats in the election of 1940 and 51 out of 57 in the election of August, 1944. In fact, in the latter election it had, by and large, the support of the business interests who, fearing Socialism more than Social Credit, preferred the devil to the deep sea. Besides, they were assured that the question of public debt would be settled by the Social Credit party—and so it was.

A New Debt Redemption Plan

Mr. Aberhart having died on May 17, 1943, his mantle fell to the Hon. E. C. Manning who, on July 24, 1945, at a special session of the Legislature, presented in two bills the Alberta Debt Reorganization Plan, providing for the payment and refunding of the provincial debt of some $113,000,000. The plan provided for an immediate cash payment of more than $51,000,000 to meet over-due securities at par value amounting to $33,000,000, plus an adjustment of accrued interest for the last nine years to be paid approximately 50% in cash and 50% in five equal annual instalments.

Holders of obligations which mature after June 15, 1945, will receive in exchange, on a par for par basis, new 3½% serial debentures or stock maturing from 1961 to 1980, plus an adjustment of unpaid interest for the last nine years. The plan, it might be noted, had been mostly prepared during the previous session by the Hon. Solon E. Low, then Provincial Treasurer.

On this notable day, in moving the reply to the speech from the throne, Mr. Ivan Casey said: "It will be of special value and significance to have the decks cleared of old issues when it comes to dealing with the problem of the post-war period—Alberta's fine position will be the best of all the Canadian provinces. Not only will we have the lowest interest rate of any province, but we shall be the only province with full provision for redemption of our total debt over a certain period of years."

The social creditors of Alberta have certainly changed their tune, but even though they have been checkmated in the province, they have by no means abandoned their characteristic theories. Realizing that they can make little or no headway in the province, because of the stone wall of constitutional limitations, they have largely transferred their attention to the broad field of the Dominion Parliament, to which in June, 1945, 13 social crediters were elected and all from Alberta, including their chief leaders, the Hon. John H. Blackmore and the Hon. Solon E. Low.

The Social Credit Charter, published in May as a party platform, demanded a "national dividend" in addition to all other incomes, "so that the people's buying power may be always equal to the prices of the goods for sale," and the issue of money at the rate necessary to ensure continued expansion of production and consumption. It stood also for free enterprise, systematic retirement of public debt, progressive reduction of taxation, protection against monopolies and cartels, and parity prices for agricultural products, together with various other measures advocated by all the other political parties.

That the social crediters intend to carry on their propaganda on the broader stage of Dominion politics was indicated by the Hon. E. C. Manning in a long brief presented to the conference of provincial premiers on Aug. 6, 1945, in which, referring to the alleged chronic shortage of buying power, he said:

"It lies within the sovereign power of the Dominion Government, through the Bank of Canada, to monetize fully the real wealth of the nation as represented by our abundant natural production, and to utilize the financial credit representing the monetization of that real wealth to supplement the ordinary public revenue of the Dominion and of the Provincial Treasuries."

Whether the social crediters in the Dominion Parliament will continue to harp on their single string and talk to deaf ears, as they have so often done, or whether they will give and urge more attention to problems of transportation charges, tariff rates, export markets, monopolies, and cartels, and pursue attainable objectives remains to be seen. Perhaps they should listen to the editor of the Winnipeg "Free Press" who, deploring the negative and futile phrases of Saskatchewan socialists and Alberta social crediters, said:

"Eighteen men talking socialism are not going to advance the true interests of Saskatchewan a jot. Thirteen rubber-money enthusiasts at Ottawa will not serve the true interests of Alberta. It is not that protest movements are at fault; rather they should be constructive. The rebel should vote fruitfully for what he believes rather than barrenly against something he dislikes."

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part of the increase as compared with 1914. The balance of merchandise exports was the largest by far in the country's history, being $4,017,714,265, as against $3,117,874,835 in 1918, $3,281,044,642 in 1917 and $3,091,005,766 in 1916, and but $324,348,049 in 1914. Notwithstanding the tremendous magnitude of the favorable balance, augmented still further by large silver exports, the United States was obliged the last seven months of the year to make heavy shipments of gold abroad. On June 9 the Federal Reserve Board removed all restrictions on the exportation of gold and thereafter the metal moved out in large quantities. The net outflow for the 12 months was $291,651,202, against net imports of $20,972,930 in 1918, net imports of $180,570,490 in 1917, $530,197,307 in 1916, and $420,528,672 in 1915. The bulk of the gold went to South America (mainly the Argentine) and to the Far East (principally to Japan, China and India), and the explanation is found in the fact that in the case of those countries the trade balance ran strongly against this country. This being the case and the United States being once more (as far as the outside world was concerned) on an unqualified gold basis, the adverse balance had to be settled by shipments of gold. On the other hand, Europe (in the trade with which the balance in favor of the United States was of such huge dimensions) was unwilling to part with any of its stock of the metal, the restrictions against a gold outflow being as rigidly maintained as before. Europe, being anxious to protect its gold reserves at a time when such a step seemed imperative because of the tremendous addition made since the beginning of the war to the paper currency issues in all the belligerent countries. The effect was to cause a severe drop in the exchanges, particularly in the case of the exchange rates on London, Paris and Rome. This matter of the depreciation in the exchanges is dealt with more at length in our review of the foreign exchange market further below. Under ordinary circumstances the takings of our goods and manufactures by these European countries would have been heavily reduced. As it was, the purchases here were, as we have already seen, heavily increased. The reason was that with the close of the war Europe needed large amounts of raw materials

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The First Year After World War I

(Continued from page 1120)

and other things in order to rehabilitate its devastated areas and also for its economic reconstruction, while at the same time food supplies, which could not be obtained elsewhere, had to be obtained from us in order to avert starvation for large masses of people.

Our Agricultural Productions

From an agricultural standpoint, the year proved a distinct disappointment. In 1918 when the war was still in progress the Government had extended its guaranteed price for wheat so as to cover the wheat crop to be raised in 1919, since abundant supplies of wheat seemed so essential, not only for the benefit of the United States, but for its allies and associates in the war, and accordingly the area devoted to autumn sown wheat under the stimulus of this guaranteed price was decidedly increased, far surpassing the area sown to winter wheat in the best previous years. The seed was also put in under most favorable auspices, so the crop started under most propitious circumstances. Accordingly a wheat yield of unexampled dimensions seemed in prospect. But, as it happened, expectations in that regard were grievously disappointed—this, too, notwithstanding that the plant wintered unusually well so that condition of the winter wheat crop as a whole which on Dec. 1, 1918, had been officially reported at 98.5 stood April 1 at 99.8 and May 1 at the phenomenal record of 100.5. Accordingly, the forecast at that date pointed to a probable winter wheat yield of 900,000,000 bushels and the possibility of producing a full billion bushels did not seem to be out of the question. But from that time on the situation changed very rapidly and prospects quickly became seriously impaired; partly by reason of cold weather and partly because of excessive rain in certain regions and, finally, in the Southwest because of red rust. The result was that in the end the winter wheat yield proved no more than 731,636,000 bushels. As it happened, too, the spring wheat crop proved a failure almost from the start owing to a variety of circumstances and proved one of the very smallest on record. In the end the product of winter and spring wheat combined turned out smaller than what had been counted upon for winter wheat alone, reaching only 940,987,000 bushels, or but little better than the 921,438,000 bushels of wheat harvested in 1918 when the wheat crop had been of good average proportions, but by no means up to the best previous record. The oats crop turned out to be only 1,248,310,000 bushels, as against 1,538,124,000 bushels in 1918 and 1,592,741,000 bushels in 1917. The barley crop and the rye crop also fell below those of 1918. The corn crop ran better than the poor yield of 1918, but below that of several other years; the official figures placed it at 2,917,450,000 bushels, against 2,502,665,000 bushels harvested in 1918 and 3,085,233,000 bushels raised in 1917. In the South the cotton crop proved the fifth in a series of short yields, with a yield, including linters, not much above 12,000,000 bales; back in 1911 the crop had been over 16,000,000 bales.

The old Congress before its expiration on March 4 enacted a law appropriating $1,000,000,000 to enable the President to carry out the price guarantees made to producers of wheat of the crops of 1918 and 1919, "and to protect the United States against undue enhancement of its liabilities thereunder." The new Act gave the President blanket authority to provide all the machinery for handling the wheat from the time when purchased from the farmer until sold to the consumer, with control over millers, wholesalers, jobbers and bankers, importers, manufacturers, etc. Besides appropriating $1,000,000,000 as a revolving fund to carry out the guarantee, discretionary powers were conferred to continue the old agency for handling the wheat crop or to create a new one. The bill also carried as a rider, a cotton futures provision under which only 13 grades of cotton (from low middling up) can be delivered on future contracts and all cotton so delivered must be classified by Government graders. This last minute legislation (it did not become a law until March 4),

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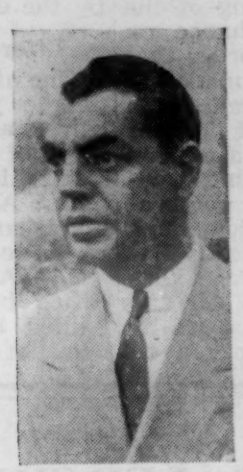

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brought about the closing of the New York Cotton Exchange on March 5. This was in order that arrangements might be made for the readjustment of trading to meet the requirements of the new law. The Exchange had also been closed March 4, on account, however, of the Mardi Gras celebration at New Orleans, which was a holiday on the New Orleans Exchange, and an agreement existing between the New York and the New Orleans Exchanges by which the holidays observed on one Exchange are also observed by the other.

Effort at Price Stabilization

One of the incidents or episodes of the year was an attempt at price stabilization in which Secretary of Commerce William C. Redfield was particularly prominent. As it happened, the movement came to grief after several weeks' earnest effort by Mr. Redfield. At a conference on Feb. 5, called by Mr. Redfield and attended by a number of former heads of the more important divisions of the War Industries Board, representatives of various Government departments and others, action was taken toward evolving plans for establishing a fair post-war level of prices for basic commodities. This meeting, which followed a series of conferences between members of the Cabinet and others interested in the matter, was held for the purpose of considering the industrial situation with particular reference to the unemployment which it was feared would result from the demobilization of the army and the return of so many soldiers from France. Price stabilization, it was expected, would lead to the resumption of active buying, then held in abeyance out of a fear that current tendencies would inevitably force lower prices later on if the trend in that direction should not be arrested by some general scheme like that in contemplation. The meeting resulted in the adoption of a resolution requesting Secretary Redfield to seek the approval of President Wilson for the appointment of a committee to deal with the situation. A statement given out by Mr. Redfield after the conference said that "it was contemplated that this committee should call into conference the representatives of the basic industries of the country to examine conditions in industry with a view to the formulation of a scale of prices at which the Government departments and other buyers would be justified in buying freely and at which the manufacturers would be willing to sell with a view to maintaining or restoring business activities to a full volume." The Secretary added that "it was believed that public announcement of the conclusions of such a committee would have a great value in establishing confidence in a level of prices and would be accepted by bankers and others as a basis for credit." It is significant of the views so widely entertained in the early part of the year as to the likelihood of trade reaction, unemployment and price deflation—in all of which particulars the year turned out so differently than expected, as already noted—that in an enumeration of the "conditions confronting the country," Mr. Redfield in the statement referred to put first of all, "Unemployment of labor, now large and rapidly increasing." The Secretary also spoke of "a stagnant condition of industry" and said that prices were "high and unstable, due to the effect of the war, which interfered with the ordinary operation of the law of supply and demand" to which he added that "prices were inflated beyond the possibility of maintenance upon the same scale during peace time."

On Feb. 15 President Wilson cabled to Mr. Redfield his approval of the proposal. On Feb. 18 Mr. Redfield announced that George N. Peek, formerly Vice-Chairman of the War Industries Board, had been chosen by Mr. Redfield as Chairman of the Board, Mr. Peek to select his associates on the Board. From the first the price stabilization plan evoked much criticism and met with no little opposition. On the one hand there was impatience with any further attempts of any kind at regulation on the part of the Government and on the other hand there was opposition from certain sections of the community who feared that price stabilization would mean to them simply lower prices and diminished profits. For instance, a protest was said to have been cabled to President Wilson on February 17 by a number of Senators—among others Senators Lenroot and La Follette of Wisconsin; Gronna of North Dakota; Borah of Idaho; Curtis of Kansas; Gore of Oklahoma; Smith of South Carolina; Smith of Georgia; Ransdell of Louisiana, and Sheppard of Texas—saying it had been called to their attention that Secretary Redfield had evolved a plan to stabilize prices, including farm products, and that the signers,

Sen. Bob La Follette

"members of the Senate speaking for themselves and the farmers of their States," desired to register a decided protest and to be heard on the matter "before it receives any sort of official sanction." On Feb. 23, Mr. Redfield announced that the Board which he had appointed under the Chairmanship of George N. Peek was to be known as the Industrial Board of the Department of Commerce. He said that they were "to put into practical effect a program for the readjustment of prices for basic materials in such a fashion as to create a firm foundation on which the consumer could base his future purchases and the producer could form necessary estimates." The Industrial Board, he said, had the assistance of the Council of National Defense.

The iron and steel trade—where price stabilization was most to be desired—fell in very readily with the suggestion of the Department of Commerce. At a meeting of representatives of the iron and steel industries on March 6 it was unanimously voted to accept the invitation of the Industrial Board "to cooperate in the endeavor to stabilize business conditions, and the whole subject matter was referred, with power, to a committee." After a number of conferences between steel men and the Industrial Board it was announced on March 20 that a full agreement had been reached upon a new schedule of prices. In making this known, Judge Elbert H. Gary, Chairman of the Board of the U. S. Steel Corporation, took occasion to state that in lowering prices there was no intention to make decreases in wages except perhaps at some mills operating under contracts between employers and employees providing for a sliding scale. He added that it was not expected that prices during 1919 would be any lower. Judge Gary pointed out that "the objects to be secured are in revival and stabilization of business by establishing a reasonably low basis of prices which would be satisfactory to the consuming public and yet, so far as practicable, would yield a moderate and reasonable return to the investors." The Industrial Board on its part issued a statement saying that in giving its approval to the schedule of prices decided upon the Board was carrying out the purpose for which it had been created and believed that a level had been reached below which the public should not expect to buy during 1919. The purpose of

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the Board was to bring about such a lower level of prices as would effect stability and stimulate trade, to the end that business and industry could proceed and build up with confidence and provide maximum employment.

The new schedule of prices went into effect the next day, March 21, and provided for drastic reductions in prices. It should be added that these reductions were in addition to sharp cuts in prices made at the close of 1918 (after the conclusion of the armistice) and which became operative Jan. 1, 1919. A few illustrations will serve to indicate the extent of the two reductions combined. Thus, basic pig iron, which the previous December had been marked down from $33 per ton to $30, was now reduced to $25.75. Large steel billets which in December had been reduced from $47.50 to $43.50 were now cut to $38.50. Merchant bars, plates and structural steel which had been reduced $4@$5 a ton in December were marked down further $7 a ton. In the case of rails no change had been made in December; they were now marked down $10 a ton to $45 a ton for Bessemer and $47 a ton for rails of open hearth steel. The expectation that no lower prices than those now agreed upon would come in 1919 was fully realized. In the second half of 1919 a great change in the outlook for iron and steel occurred. Demand revived, while at the same time the strike, first in the steel trade and later at the bituminous coal mines, the latter depriving furnaces and mills of a sufficient supply of fuel, reduced the output of iron and steel products. The inquiry finally became so urgent that open market prices for iron and steel ruled far above the schedule fixed March 21, and high premiums had to be paid in order to secure immediate delivery.

The Railroad Administration insisted upon lower prices than those fixed for rails and opposed the March 21 schedule from the start. Its declination was announced April 2 and made final April 10. Director - General Walker D. Hines, of the Railroad Administration, denied the right of the Industrial Board to impose a price upon the Railroad Administration, and clung to the opinion that the prices fixed were too high. He accordingly took the position that the railroad Administration could not approve them as being reasonable prices. Chairman Peek, of the Industrial Board, on the other hand, took the ground that the stabilization plan could not be carried out successfully unless with the complete cooperation of all departments of the Government, and as "at this late date in the execution of the plan this important essential to its success has been denied by the Director-General of Railroads, by that denial the labor of the Industrial Board is set at nought and the Government is exhibited as setting up an industrial policy with one hand and destroying it with the other." On April 18 Washington dispatches stated that President Wilson had directed the Industrial Board and the Railroad Administration to reopen discussion and endeavor to find a common ground on which they could agree. The attempt, however, proved futile. Several further conferences were held and all were fruitless of results. On May 8, the 1st day, Mr. Hines announced that the conferences were at an end and that the Railroad Administration would proceed to ask for competitive bids for steel materials. It appeared later that on May 2 President Wilson had sent a cablegram that it would be best to discontinue the Industrial Board, particularly in view of the fact that the Attorney-General regarded its action as questionable under the law. Apparently this cable was forwarded by the White House to Mr. Hines, but not to Mr. Redfield or Mr. Peek. At all events the two latter did not learn of the message until knowledge came to them regarding it through a letter from Mr. Hines. Chairman Peek and the other members of the Industrial Board had tendered their resignations to Mr. Redfield in April when the Railroad Administration first declined to be bound by the March 21st schedule and Secretary Redfield now accepted them, sending to each an identical letter under date of May 9th. The dissolution of the Industrial Board then followed as a matter of course. Secretary Redfield's file of correspondence when made public also revealed that under date of April 18th the President had cabled that he was sincerely sorry that the efforts of the Industrial Board had met with serious check, but was afraid that this was partly because the public and some members of the Board itself and been under the impression that they were fixing prices, whereas the board had been intended merely as a court of mediation between buyer and seller.

This, too, was the view of Carter Glass, Secretary of the Treasury, who had sided with the Railroad Administration in the controversy with Mr. Hines. In a statement issued on May 12th, Secretary Glass stated that the Industrial Board in attempting to "fix minimum prices for the public did precisely that which it had been warned not to do," and that the action had been promptly repudiated by him as "contrary to fundamental principles of economics, of public policy and of the law." He said the Treasury had

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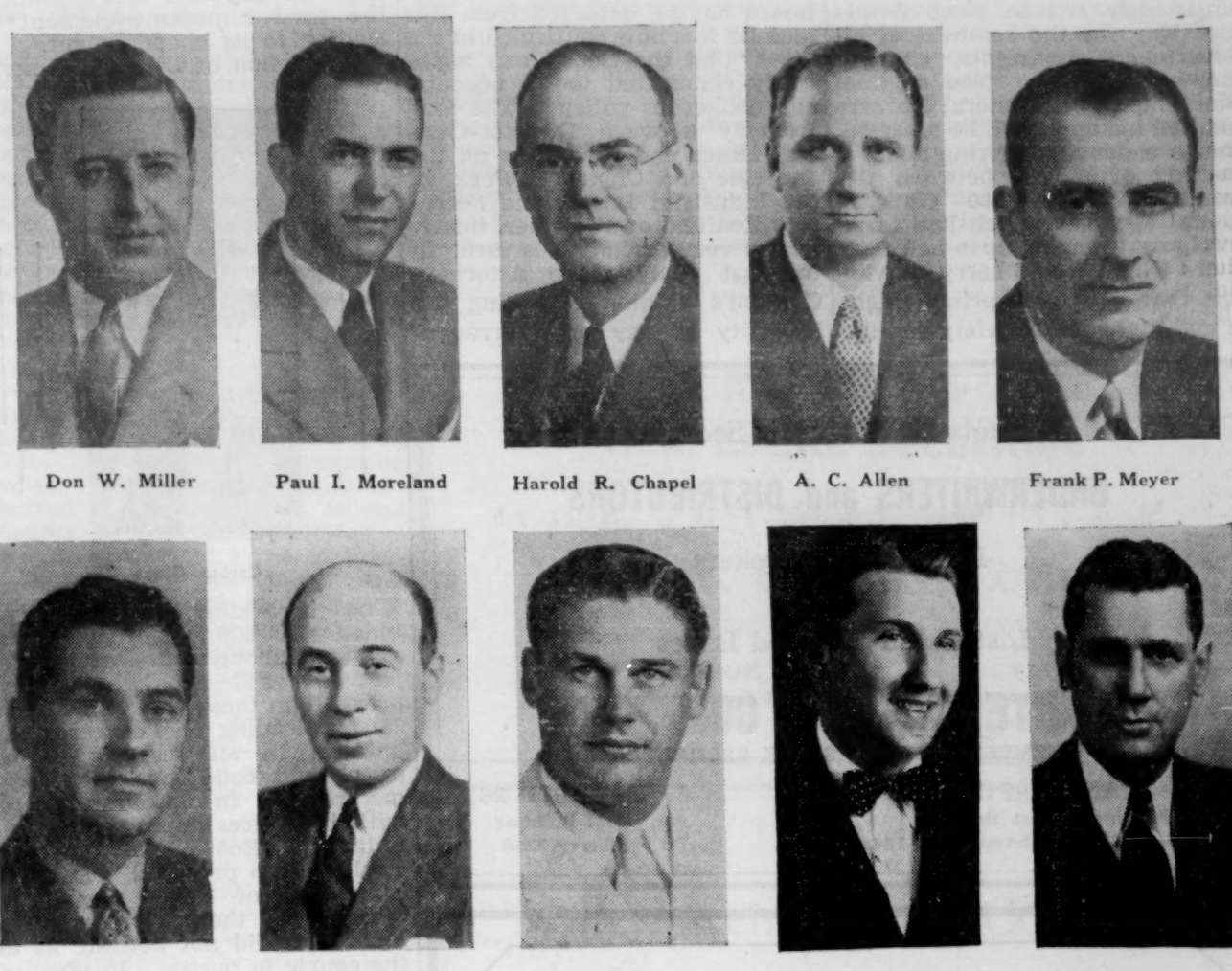

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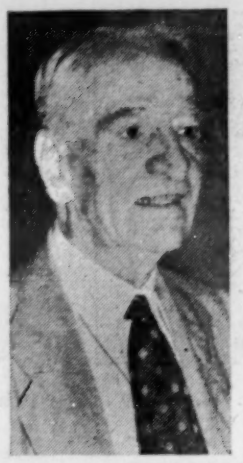
consistently striven since Armistice Day for the removal of all Government restraints, controls and interferences. The original plan which in its general features had had his approval, he asserted, was to endeavor to bring about a meeting of minds, between the producers and those Governmental agencies which had large purchases to make, upon bed rock prices which would carry conviction that new enterprises might be undertaken with safety and the hope of profit. The Industrial Board having departed from this idea he was now confirmed in the view "that the Board was hopelessly committed to an unsound and dangerous policy." The controversy between Director-General Hines and Mr. Glass on the one side and Chairman Peek, of the Industrial Board, and Secretary Redfield on the other, finally took a very acrimonious turn. In the last analysis the Attorney-General's opinion regarding the illegality of any price arrangement of this sort was doubtless the most important element in leading to its abandonment.

The action of Director-General



Carter Glass

Hines in asking for competitive bids for 200,000 tons of steel rails, as noted above, failed of its object and did not bring lower prices than those fixed on March 21. Six leading steel concerns bid uniform in all respects as to prices and conditions of manufacture and in absolute accord with the prices approved by the Industrial Board. A seventh steel concern proposed prices $10 in excess of those named in March. In these circumstances Mr. Hines did not hesitate as to the course to pursue. In view of the immediate need of the rails, orders were placed at the price indicated (that is, $46 per ton for open hearth rails), but under protest, the Director-General saying: "This action is taken not only without approval of the prices, but . . . with emphatic disapproval of the prices and the manner in which they have been established."

Government Financial Operations

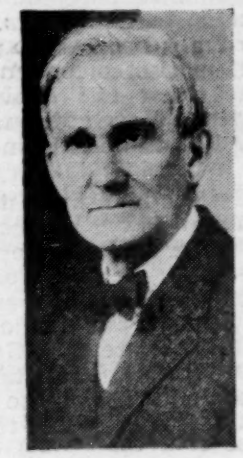
The financial operations of the Government were not of the huge magnitude of those of the previous year, and yet were of large extent. The long delayed War Revenue Bill, fixing new rates of income and excess profits and war profits taxes, after having been agreed to in conference, finally passed both Houses of Congress in February—in the House, Feb. 8, and in the Senate, Feb. 13—but was not signed by President Wilson until Feb. 24 after his return from his first trip to France. The President affixed his signature to the bill while on the train en route from Boston to Washington. Mr. Wilson, however, was not successful in prevailing upon Congress to expedite other needful legislation which during his absence in Europe had been progressing quite tardily. As a matter of fact, he was greatly provoked over the action of a few members in the Senate in blocking desired legislation. The result was that the life of the old Congress expired on March 4 without the passage even of most of the appropriation bills. Republican leaders had expressed a desire to have the Deficiency Bill carrying the $750,000,000 revolving fund for the Railroad Administration enacted into law, and conferred with the majority leaders to that end (the Democrats were still in control in the old Congress), but the managers on both sides were unable to accomplish anything, due to protracted speeches by Senators La Follette, France and Sherman, who held the floor from 10 a.m., March 3

Joseph I. France

until the hour of adjournment March 4. The President thereupon issued a statement dealing with the dereliction of Congress in failing in these particulars, saying:

A group of men in the Senate have deliberately chosen to embarrass the administration of the Government, to imperil the financial interests of the railway systems of the country and to make arbitrary use of powers intended to be employed in the interest of the people.

It is plainly my present duty to attend the Peace Conference



L. Y. Sherman

at Paris. It is also my duty to be in close contact with the public business during a session of the Congress. I must make my choice between these two duties, and I confidently hope that the people of the country will think that I am making the right choice. It is not in the interest of the right conduct of public affairs that I should call the Congress in special session while it is impossible for me to be in Washington because of a more pressing duty elsewhere, to co-operate with the Houses.

I take it for granted that the men who have obstructed and prevented the passage of necessary legislation have taken all this into consideration and are willing to assume the responsibility of the impaired efficiency of the Government and the embarrassed finances of the country during the time of my enforced absence.

With the expiration of the life of the old Congress the political complexion of the legislative body changed, the Republicans holding control in both Houses in the new Congress. It was freely charged that the action of the Republicans in the old Congress was influenced in no small degree by knowledge of that fact—they feeling that in the new Congress they would be in position to act with greater freedom on that account.

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It was also charged that for the same reason the Republicans were desirous of having the new Congress convened in extraordinary session at an early date, the sooner to exercise their power of political control. The President on his part made no secret of his intention not to call the new Congress into being until it became absolutely impossible to carry on the Government without such a step. Notwithstanding the old Congress had left so much needful legislation unfinished, statements emanating from the White House at Washington kept persisting to say that the President would not convene Congress in extraordinary session until the summer, after his second return from France—he having set sail for Europe again on the morning of March 5 after a strenuous ten days in this country crowded with important events. It will be noted that in the statement we have quoted above he took express occasion to say that it was not "in the interest of the right conduct of public affairs that I [he] should call Congress in special session while it is impossible for me to be in Washington, because of a more pressing duty elsewhere, to co-operate with the Houses." However, the President had to yield in his determination. The needs of the Railroad Administration were very urgent and apparently also the representations of the Secretary of the Treasury as to the embarrassment to result from the failure of Congress to pass the annual appropriation bills likewise carried much weight with the President. On May 7 a call for an extra session of Congress, to convene Monday, May 19, came by cablegram from the President and was made public by proclamation at Washington.

As already noted, Government borrowing during 1919 was not on the enormous scale which marked the fiscal operations of the calendar year 1918. Only one large public loan was floated, the old Congress having made full provision for this before it went out of existence. The rest of the Government financing was carried on by means of Treasury certificates of indebtedness—largely certificates put out in anticipation of tax collections, but also considerable amounts in the shape of loan certificates. Preliminary steps bearing upon the new borrowing to be done were taken at the very beginning of the year. On Feb. 10, Carter Glass, the Secretary of the Treasury, addressed a letter to Claude Kitchin, Chairman of the House Ways and Means Committee, in which he asked the attention of the committee to the necessity of the immediate enactment of legislation amending the Liberty Bond Acts so as to make possible the funding by a Victory Liberty Loan in the spring of the floating debt already incurred or which would be incurred up to that time. He contended that this Victory Liberty Loan could not be issued successfully now that hostilities had ceased within the limitations imposed by existing laws. Although it was not contemplated to float the new loan until the spring, he deemed it proper to urge prompt action in view of the early expiration of the life of the existing Congress (on March 4) and the apparent impossibility of convening and organizing the new Congress in time to enact further bond legislation before the Victory Liberty Loan campaign should begin. As considerable time was still to elapse before the actual offering of the new loan, he felt obliged to ask greater latitude in the exercise of a sound discretion as to the terms of the proposed Victory Liberty Loan than had been conferred by Congress in respect to previous Liberty Loans. The Secretary submitted the draft of a bill to amend the Liberty Bond Acts so as to achieve the ends desired. Congress, however, was not prepared to go quite so far in the leaving of discretionary powers with the Secretary as he had desired. The Secretary had asked for authority to issue in his discretion either bonds or notes, as market conditions at the time might warrant, but the Committee, bearing in mind that a new loan must in all probability bear a higher rate of interest than the rate in the Liberty Loan issues, and that such higher rate might adversely affect the financial markets, on Feb. 19 definitely decided in favor of short-term notes, and were thereupon advised by the Assistant-Secretary of the Treasury that this plan would be acceptable to Secretary Glass. Because of a misapprehension that the Victory Liberty Loan plans had been abandoned or modified materially by reason of the Committee's decision, Mr. Glass on Feb. 20 again announced that the campaign for a loan in the spring would be carried out and that a campaign would be inaugurated on April 21, or possibly earlier, and would be popular in nature.

In his letter to Chairman Kitchin of the House Committee, Mr. Glass had suggested that authority be conferred upon the Secretary to issue $10,000,000,000 additional bonds or notes. He had pointed out that the amount of bonds unissued under the Liberty Bond Act was slightly in excess of $5,000,000,000—the authorization under the first Bond Act having been $2,000,000,000 and under the second, third and fourth Acts $20,000,000,000 and approximately $17,000,000,000 of bonds having been issued under the four Acts. In the bill, however, the limit of the new notes was put at $7,000,000,000 instead of the $10,000,000,000 suggested by the Secretary. In the form proposed by the Committee the Victory Loan Bill passed the House on Feb. 26 with but 3 dissenting votes. The Bill was favorably reported to the Senate Feb. 28 and passed in that body without a roll call on March 2 after the collapse of a Republican filibuster marked by more than twenty hours' debate. The Bill became a law with the President's signature on March 3. By Section 3 of the Bill the aggregate of certificates of indebtedness granted under previous acts that might be issued from time to time was increased from $8,000,000,000 to $10,000,000,000.

The new statute while limiting the amount of notes that might be put out to $7,000,000,000 and providing that the notes must be issued at not less than par granted authority to the Secretary to prescribe the terms and conditions of the loan and to fix the rate or rates of interest. It was provided that the maturtiy should be not less than one year nor more than five years from the date of issue. The Act included certain alternative proposals with respect to exemption from taxation, and the Secretary was given discretion to choose from among four classes of exemptions. For the purpose of stabilizing the market for the 4% and the 4¼% Liberty Loan Bonds the law provided additional exemptions from taxation.

On March 12 the Secretary issued a public statement definitely fixing April 21 as the date for the opening of the Victory Liberty Loan campaign and Saturday, May 10, as the date for the close. In this statement he pointed out that under the Liberty Loan Acts

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he still had authority to issue bonds similar to those of the second, third and fourth Liberty Loans in amount of $5,022,518,000, but any issue of bonds under authority of those acts would have to be at 4¼% interest as a maximum. After studying financial conditions, however, he had determined, he stated, that the interests of the United States would be best served by the issuance of short-term notes rather than of longer term bonds "which would have to bear the limited rate of interest of 4¼%." He also expressed the belief that a short-term issue would maintain a price at about par after the campaign had been closed far more readily than would a longer term issue. Even at this time he was obliged to state that he had reached no "conclusion as to the rate of interest and exemptions from taxation which these notes will bear because this decision must be based on conditions existing immediately prior to the opening of the campaign." The details of the proposed Victory Liberty Loan were announced by the Secretary on April 13. The Secretary fixed the amount at $4,500,000,000. This was smaller than had been expected, which created a favorable impression, reports having been current that the amount might be in the neighborhood of $6,000,000,000. Furthermore, the Secretary officially proclaimed that "this will be the last Liberty Loan," to which he added the following explanation: "Although, as the remaining war bills are presented, further borrowing must be done, I anticipate that the requirements of the Government, in excess of the amount of taxes and other income, can, in view of the decreasing scale of expenditure, be readily financed by the issue of Treasury certificates from time to time, as heretofore, which may be ultimately refunded by the issue of notes or bonds without the aid of another great popular campaign such as has characterized the Liberty Loan."

The Secretary also now stated that the Loan would take the form of 4¾% three-four-year convertible gold notes of the United States exempt from State and local taxes, except estate and inheritance taxes, and from normal Federal income tax. The notes would be convertible, at the option of the holder, throughout their life, into 3¾% three-four-year convertible notes of the United States exempt from all Federal, State and local taxes except estate and inheritance taxes. These 3¾% notes were in turn made convertible into 4¾% notes. Both series were to be dated and bear interest from May 20, 1919, and mature on May 20, 1923. All or any of the notes might be redeemed before maturity, at the option of the United States on June 15 or Dec. 15, 1922, at par and accrued interest. As was the case with the four huge issues of Liberty Loans this Victory Liberty Loan proved a great popular success, the aggregate subscriptions reaching $5,249,908,300—an oversubscription of $749,908,300. In accordance with the terms of the issue the oversubscription was rejected and subscriptions allotted to the amount of $4,500,000,000. Subscribers were permitted to make payments on an installment plan stretching over the six months' period from May 10, 1919, to Nov. 11, 1919, as follows: 10% with application on or before May 10; 10% July 15; 20% Aug. 12; 20% Sept. 9; 20% Oct. 7, and 20% on Nov. 11 with accrued interest on deferred installments. Payments in full could be made with application or on May 20 (except as to subscriptions subject to allotment, in which case payment might be completed on June 3) provided the 10% required with application had been duly paid on or before May 10. It was also permissible to complete payment on any installment date with the accrued interest.

The temporary financing of the Government through the issue of Treasury certificates of indebtedness, which was a feature of Government financing throughout the war, was continued during 1919, but on a greatly reduced scale. These certificates of indebtedness served to provide the Government with funds in advance of receipts from the sale of bonds or notes, or in anticipation of revenue from income and profits taxes, and also operated to distribute payments on bond and note subscriptions and for taxes over extended periods of time, thereby avoiding tremendous transfers of funds on any one date with consequent money stringency. On July 25 Secretary Glass addressing a communication to the banking institutions of the country revealing a very favorable state of Treasury finances and indicating the policy of the Government with reference to the issue of *loan* certificates of indebtedness for the immediate future. He said that three months had passed since the last offering of Treasury certificates other than those issued in anticipation of taxes. This interval had been made possible, he stated, by the rapid decrease in the current expenditures of the Government, the very large early payments on the Victory Loan and the ready sale of tax certificates. The time has now come when the issue of Treasury Loan certificates should be resumed. It had accordingly been determined to issue loan certificates of five months' maturity. These were to be issued on the first and fifteenth of each month, beginning Aug. 1, 1919. The minimum amount of each semi-monthly issue of the certificates should not in any case exceed, say, $500,000,000, and after September and during the remainder of the calendar year should not on the average exceed half of that amount, for then all the Victory Loan certificates would be paid or provided for and such progress made in army settlements and in demobilization as greatly to reduce the requirements of the current program. That would mean the issue, during the remaining five months of the calendar year of certificates to the amount of, say, $3,500,000,000. As against this, there would during the same period mature and be paid loan and tax certificates in the aggregate amount of $2,997,540,500, leaving a net increase of $502,459,500. The Secretary also said that the figures he was now able to present fully justified the announcement made the previous April that the Victory Loan could be regarded as the last of the series of Liberty Loans and that the Treasury would be able to finance its further temporary requirements "by the sale of Treasury certificates of indebtedness bearing interest at the rate of 4½% or less and also to fund as many of these as it may be desirable to fund by the issue of short-term notes in moderate amounts at convenient intervals when market conditions are favorable and upon terms advantageous to the Government." It was indicated to the banking institutions that in pursuance of this program they would be expected to take from time to time "not less than 1.6% of the gross resources of each bank and trust company for each semi-monthly issue during August and September," and the percentage it was stated might fall "as low as 0.8% towards the end of the calendar year." As showing how much less of a draft upon the resources of the banks this was than the similar drafts which had to be made in the previous year, it is proper to point out that in the last half of 1918 Secretary McAdoo was obliged to advise the banks that what they would be expected to take would equal roughly "2½% of the gross resources of each bank and trust company for every period of two weeks, or a total of 5% monthly."

On Aug. 25th the Secretary went a step further and notified the banking institutions that in view of the success of the first two issues of Treasury certificates, in pursuance of the program outlined above the third semi-monthly issue dated Sept. 2nd would be offered without asking the banks and trust companies to subscribe for any specified quota. This third offering, free from the suggestion of any compulsory feature, fully met expectations and proved an unqualified success. Accordingly, the Treasury Department was enabled to advance another step. On Sept. 8th the plan was varied by suspending the sale of loan certificates for the time being and offering two series of tax certificates, both dated Sept. 15, 1919, one series maturing in six months and bearing interest at the rate of 4¼% and the other maturing in one year and bearing interest at the rate of 4½%. This was the first time in over a year that certificates had been offered at less than 4½%. In addition, it was announced that all certificate maturities prior to 1920 would be provided for from tax receipts or out of cash in bank. Subscriptions to these two offerings of tax certificates proved very heavy, aggregating $758,600,500, of which $101,131,500 represented the 4¼% six-month series and $657,469,000 the 4½% one-year series. The success of these offerings made it possible to suspend for another period the offering of further loan certificates. It was not until Nov. 23rd that announcement came of the resumption of Treasury certificate issues. When offering the two issues of tax certificates in September the Secretary had stated that while it could not be said defnitely when semi-monthly issues of loan certificates would be resumed, such issues would certainly not be resumed before Oct. 15th. He now stated that though most factors in the general situation since that time had been adverse, the position of the Treasury had developed more favorably than then there seemed any reason to hope, and this had made it possible to avoid earlier resumption of further issues of certificates. He announced both a new issue of Treasury certificates of indebtedness for Government loan purposes and an offering of Treasury certificates in anticipation of taxes. Both issues were dated Dec. 1, 1919, the loan certificates falling due Feb. 16, 1920, and the tax certificates March 15, 1920. both bearing 4¼% interest. The subscriptions to the tax certificates closed Dec.

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2nd and reached $250,942,500, while the subscriptions for the loan certificates closed Dec. 1 and aggregated $162,178,500. On Dec. 8th the Secretary offered another issue of Treasury certificates in anticipation of taxes. They were dated Dec. 15 and payable June 15, 1920, but with interest at 4½%. In this last instance the subscription books were closed Dec. 19 and aggregate subscriptions reached no less than $728,130,000, of which $257,455,500 represented certificates paid for in Treasury certificates of earlier issues. On Dec. 29th the Secretary offered still another issue of Treasury certificates in anticipation of taxes and this time advanced the rate of interest to 4¾%. The new certificates were dated Jan. 2, 1920, and became due Dec. 15, 1920. In making his new offering the Secretary said the success of this issue should assure the consummation of the Treasury's plan for financing the unfunded portion of the war debt in such a way as to avoid the necessity for great refunding operations by spreading maturities and meeting them so far as may be out of tax receipts. Subscriptions in this case continued until Jan. 16th and it was announced after the close of the year that $703,026,000 had been subscribed for.

Growing Tension In Money

As already indicated, the year was one of currency and credit inflation, and of price inflation, and it was also a year of growing tension in the money market. On Jan. 24th, at a meeting of the Sub-Committee on Money of the Liberty Loan Committee in this city it was decided to announce the removal of all the money restrictions in New York. A statement was issued in which it was pointed out that on Dec. 30th of the previous year (1918), when the arrangement whereby the New York banks had been furnishing funds to stabilize rates on loans on Stock Exchange collateral was about to expire (it would have expired Jan. 10, 1919), the Committee had inquired whether the Treasury Department wished an extension of the arrangement then in force and had been requested by the Treasury Department to continue its operations in aid of the Government's financial requirements. Acting in accordance with the wish of the Treasury thus expressed, the Sub-Committee on Money had arranged with the New York banks to continue the arrangement then existing until after the next Government Loan and, with the authorities of the Stock Exchange, to continue exercising control of the loan account to prevent its expansion in the aggregate. Now, however, the officials of the Stock Exchange in a written communication to the Money Committee had stated that conditions had so changed that "there is now nothing to indicate the probability of a speculative movement which would absorb large amounts of money," and accordingly the Sub-Committee on Money, after consultation with and the approval of the Treasury Department, had come to the conclusion that control by the Stock Exchange Committee might for the present be suspended. At the same time, it was thought best that the Stock Exchange authorities be requested to continue to receive from members of the Exchange daily reports of their borrowings until after the next Liberty Loan had been placed, but that "the definite arrangements made with a large group of New York banks to furnish funds for Stock Exchange loans, if and as required, should now be terminated."

With this action, the so-called "Money Pool" created in October, 1917, ceased to function. The result was seen the very next month when with the revival of Stock Exchange speculation call loan rates advanced to above the figure of 6% which had previously arbitrarily been fixed as the figure beyond which the call loan rate would not be allowed to go. On Monday, Feb. 24, the call loan rate shot up to 7%. This, however, proved merely a temporary flurry and the rate quickly dropped back to 6% and did not again go above that figure the remainder of the month. It was not until June that real money stringency developed. In that month call loan rates got as high as 15%; in July a still higher figure was reached, namely 18%. Then after a period of relative ease in August and September new tension developed in October, and continued through November, in which latter month the quotation for call loans at one time got as high as 30%. A like high figure was not again touched in December, but the money market remained tight until the close of the year.

Exertions of the Federal Reserve Board

These high rates on the Stock Exchange came as a revelation to the financial world which had been led to believe that, under the operation of the Federal Reserve System, extreme rates for money such as had often prevailed on the Stock Exchange before the establishment of that system would never again be possible. The notion, of course, was preposterous. But from the start the idea had been sedulously cultivated—and by no one more persistently than the Federal Reserve authorities themselves—that the possibilities of credit expansion and loan accommodation under the Reserve system were limitless. While the campaign for the Victory Liberty Loan was being carried on, considerable restraint on the part of borrowing was enforced and the situation was kept well in hand, but thereafter it got out of control. The Federal Reserve authorities now began to make strenuous efforts to check further credit expansion. The spurt in call loan rates on June 3 to 11% had been the first occasion since the advent of the Federal Reserve system (barring a temporary spurt in December, 1916) that the rate on Stock Exchange loans had been allowed to go appreciably above 6% and the circumstance naturally caused great commotion among speculators who imagined that immediate steps would be taken to extend borrowing facilities and bring about a renewal of ease. But the Federal Reserve Board was not blind to the dangers of the situation. On June 10 news came from Washington saying the Federal Reserve Board had addressed a letter to the Chairman of each of the Federal Reserve Banks seeking information as to the extent of borrowings by member banks on Government collateral for other than purely commercial purposes. In this letter which was sent out over the signature of Governor W. P. G. Harding, concern was expressed on the part of the Federal Reserve Board "over the existing tendency towards excessive speculation." It was stated that while ordinarily this could be corrected by an advance in discount rates at the Federal Reserve Banks it was not practicable to apply this check at the moment because of Government financing. After pointing out that by far the larger part of the invested assets of the Federal Reserve Banks consisted of paper secured by Government obligations, the Board indicated anxiety to get some information on which it could form an estimate as to the extent of member bank borrowings on Government collateral "made for purposes other than for carrying customers who have purchased Liberty Bonds on account, or other than for purely commercial purposes." New warnings came in July cautioning the Federal Reserve Banks not to permit the use of their facilities in aid of Stock Exchange speculation. There was a disposition at first on the part of the Reserve authorities to make light of the high rates on the Stock Exchange and to have it appear that what the Stock Exchange speculators were obliged to pay for ac-

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commodation was a matter of little consequense so long as funds might remain available for ordinary mercantile borrowers at moderate rates. But it was soon seen that no such distinction was possible—that stringency in the call loan branch of the money market was sure sooner or later to extend to other branches of the market.

The rest of the year the activities of the Federal Reserve Board were employed largely in efforts to guard against the use of the facilities of either the member banks or the Federal Reserve Banks in the promotion of speculative enterprises or for speculative ends. Repeated warnings came from the Federal reserve authorities, intended as reminders on that point. The difficulty of dealing with the situation was in some measure increased by the removal of the embargo on gold exports towards the end of the half-year, as more specifically set out further along in this article. The Reserve authorities were confronted on the one hand by the circumstance that new demands on the credit facilities of the banks were constantly arising, while on the other hand the removal of restrictions on gold exports—which was almost immediately followed by a considerable outflow of the metal—meant inevitably cutting down of cash reserves and a fall in the ratio of cash reserves to liabilities. A bull movement of large extent and great energy was under way on the Stock Exchange and this necessarily meant pressing demands upon the banks for accommodation. In July high rates for call loans on the Stock Exchange were of daily occurence. In the early part of July rates on call as high as 8%, 10%, 12%, 15%, and even 17% were reported. Indeed, after the close of business on Monday, July 7, 20% was said to have been charged for "all industrial" money. Some slight relaxation of the stringency occurred later in the month, but the situation remained more or less acute, and on July 31 the call loan rate mounted to 18% on both mixed and "all industrial" collateral after a period of some days, with ruling quotations 6 at 7%. At the end of July current gossip had it that the aggregate of Stock Exchange loans stood at $1,750,000,000 against $1,500,000,000 at the beginning of the month, $1,000,000,000 at the opening of June and only $600,000,000 at the beginning of March. These figures may have been exaggerated to some extent, but they doubtless reflected correctly the prevailing trend. In a statement issued on July 9, the Federal Reserve Board observed that flurries in the rates for call money on stock collateral were "inevitable so long as the present methods of financing and settling speculative transactions in stocks are persisted in," regrettable as this might be. It went on to add:

> As things are now they can be guarded against only by such methods as were adopted during the war, providing a reasonable supply of credit for carrying stocks but, contrariwise, taking effective measures to prevent undue speculation or expansion of the loan account, but it would be in every way undesirable and unfortunate to perpetuate in peace times such arbitrary measures.

It is not the function of the Treasury nor of the Federal Reserve Banks or the banking institutions of the country to provide cheap money for stock speculation, and the Board feels that the reflex action of the rates for call money on stock collateral upon the Government's financial program and the requirements of commerce and industry has greatly decreased (as, indeed, was evidenced by the small redemptions of Treasury certificates notwithstanding high call money rates and the relatively small effect upon the rates for commercial borrowings), and will continue to decrease as it becomes better and better understood that the true functions of the banking institutions of the country and of the Federal Reserve system, acting in their aid, is subject to the temporary requirements of the Government, to finance commerce and industry. Only those banking institutions which adhere to this policy are performing their true function and are being wisely and conservatively handled in the real interest of their stockholders and the public. The demand for credit for stock speculation must yield precedence to these prior demands, and the rates for stock speculation ruling from time to time, however erratic, can have no permanent effect upon the rates for Government and commercial and industrial purposes.

To have definitely established the fact that there is no necessary connection between rates for speculative purposes and for commercial transactions is in itself an important development.

The hopeful views here expressed were not realized. As already indicated, it soon became apparent that rates for money on call could not be treated with indifference or be ignored—that they would be inevitably followed by growing tension in other branches of the money market. During August the money market was distinctly easier, but it was evident to careful observers that when the autumnal demand for money came there would be renewed pressure and at the close of September rates for call loans again spurted upward, touching 9% on Sept. 26, 15% on Sept. 29 and 12% on Sept. 30, while in October call loan rates were high throughout the month and the tension continued throughout November and was only partially relieved during December. It became apparent at the beginning of October that the policy of the Federal Reserve Banks with respect to discount rates would in some important particulars have to be modified. Even in advance of the action of the Reserve Banks, the member banks began to alter their own practice with respect to loans on Government collateral. Information the latter part of October was that banks which in October of the previous year had agreed to lend money to subscribers to the Fourth Liberty Loan at 4¼% for a year were now telling their clients that if these loans were renewed at the expiration of the year's time 5% would be charged. Bankers explained that with the termination of the period agreed upon they felt free to institute a rate more in keeping with the prevailing market for funds. For the Victory Loan of the previous May the banks had in many instances agreed to lend money to subscribers for six months at 4¾%, the rate carried by the Victory notes themselves. These agreements generally expired the next month and here, too, it was certain the rate charged would be advanced. The Federal Reserve Board gave a very plain intimation of the forthcoming change in its own policy in the "Bulletin" for October. This official publication in discussing the discount policy of the Federal Reserve Banks took occasion to observe that "the disappearance of the U. S. Treasury from the long-term loan market and the rapid reduction in its requirements for short-term accommodation foreshadows the approach of the time when the financial operations of the Government will cease to be the important factor in shaping Reserve Bank policies which they have been and Federal Reserve Bank rates once more will be fixed solely with a view of acommodating commerce and business."

Action in accord with the views here laid down came soon thereafter. In November some call loans were negotiated at 30% per annum, the highest quotation recorded since the panic of 1907 and reflecting a degree of stringency which it had been supposed the establishment of the Federal Reserve banking system had rendered forever out of the question. On November 3 the Federal Reserve Bank of New York made an advance in its discount rate and this was subsequently followed by all the other Federal Reserve Banks throughout the country. The step was taken to curb credit inflation and prevent the further use of the facilities of the Federal Reserve Banks in promoting speculation on the Stock Exchanges and in commodities. In issuing the schedule of new rates effective November 3, Benjamin Strong, Governor of the Federal Reserve Bank of New York, gave out a statement on November 2, saying:

> The reason for the advance in rates announced today by the Federal Reserve Bank of New York is the evidence that some part of the great volume of credit, resulting from both Government and private borrowing, which war finance required, as it is released from time to time from Government needs, is being diverted to speculative employment rather than to reduction of bank loans. As the total volume of the Government's loans is in course of reduction corresponding reductions in bank loans and deposits should be made in order to insure an orderly return of normal credit conditions.

The advances in the discount rates of the Federal Reserve Banks and the soaring of money rates to new high figures caused a collapse in values on the Stock Exchange and on November 11 the credit situation was discussed at a special meeting held at the Federal Reserve Bank of New York and attended by the Governor and Vice-Governor of the Federal Reserve Board. In response to a letter from Senator Owen under date of November 14, Governor Harding of the Reserve Board, contended that "the high rates for call money which have prevailed continuously for the past two weeks, and intermittently for several months past, were in themselves very clear indication of the strained position into which the unbridled speculation had thrown the stock market," and he pointed out that "during the week ending November 8 the Federal Reserve Board had sold to other Federal Reserve Banks $90,000,000 of acceptances for account of the Federal Re-

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serve Bank of New York, but in spite of this action the reserves of the New York Bank had fallen to 40%." "In these circumstances," he added, "in order to prevent further expansion it became necessary to call the attention of the large rediscounting banks to the situation." He also laid stress on the fact that "during the summer the Board had made the specific announcement that it would not sanction any policy which would require the Federal Reserve Banks to withhold credits demanded by commerce and industry for the processes of production and distribution in order to enable member banks to furnish cheap money for speculative purposes." Later in November (November 19, 20 and 21) a three-day conference between the Governors of the 12 Federal Reserve Banks and the members of the Federal Reserve Board took place. Prior to this, there had been a conference between the Board and the Advisory Council. Nothing transpired with reference to the results of these meetings. After the break on the Stock Exchange in November and the resulting liquidation of speculative holdings it was claimed that the aggregate of Wall Street brokers' loans had been reduced to $1,350,000,000 as against $1,750,000,000 in July. However, two further advances in discount rates were made by the Federal Reserve Banks in December. The first advance came December 11 and the second December 30. The effect of this latter was to establish a rate of 4¾% for advances on all classes of paper and for all maturities except for agricultural paper of from 61 to 90 days maturity, the rate for which was left at 5%.

In a statement bearing on the discount policy of the Bank issued on December 30, Benjamin Strong, Governor of the Bank, pointed out that in view of the fact that the U. S. Government had completed its permanent financing and the further fact that Government income in relation to expenditures had reached a point where temporary borrowing would be on a greatly reduced scale, and in view of the further fact that the U. S. certificates of indebtedness outstanding were now widely distributed (it being estimated that not over one-half of the certificates outstanding were now held by the banks), the directors of the New York Federal Reserve Bank had "eliminated the preferential rates heretofore maintained in favor of advances and rediscounts based on bonds, certificates of indebtedness and acceptances and for the time being at least have established a single rate for credit at the Federal Reserve Bank, thereby greatly simplifying their future rate policy." It was also announced in Washington dispatches December 30 that the Federal Reserve Board had telegraphed all Federal Reserve Banks that it would approve the schedule rates doing away with the preferential rates theretofore given to paper secured by certificates of indebtedness—the differentials in favor of paper secured by other Government obligations having been abolished by the action taken earlier in the month (December 11) and already referred to. On the Stock Exchange call loans on December 29 commanded as high as 25%, and this figure was repeated on December 30 and December 31, the renewal rates on these three days being respectively 10%, 15% and 15%—the year thus closing in a way plainly suggestive of the monetary tension for which the year was noteworthy.

Benjamin Strong

Condition of Clearing House Banks and Federal Reserve Institutions

It remains to be said that the weekly returns of both the New York Clearing House institutions and those of the Federal Reserve Bank of New York as well as those for all the Reserve Banks in the country, gave constant indications from week to week during the last half of the year of the strained credit situation and of the inflation in note issues with the impairment of reserve position to which this was giving rise. On Dec. 27, 1919, the New York Clearing House banks and trust companies, according to the weekly returns for that day, showed an aggregate of loans, discounts and investments of $5,197,484,000, as against $4,659,461,000 Dec. 28, 1918, showing an increase for the 52 weeks of roughly $538,000,000. In the deposits the increase for the 52 weeks was only $250,568,000, the grand aggregate of demand and time deposits, Dec. 27, 1919 being reported $4,309,830,000, against $4,059,262,000. At the end of 1919 it will be observed the loan item exceeded the deposits by $887,654,000, which compares with an excess at the end of 1918 of no more than $600,199,000. The fact that the loans so largely exceeded the deposits—the excess running larger by $287,455,000—affords perhaps as good an indication as any of the augmented credit demands and the loaned up condition of the New York Clearing House institutions. The figures of deposits here has no reference to the ordinary deposits and does not include Government deposits against which no cash reserves are required and which add that much to the loaning capacity of the institutions. But though Government deposits were somewhat larger this will account for only a small part of the great expansion in the loan item; the total of the Government deposits having been reported $225,030,000 Dec. 27, 1919, against $177,559,000 Dec. 28, 1918. In the autumn before the plans inaugurated by the banks for curtailing loans—in response to urgings from the Federal Reserve authorities—became fully effective, the aggregate of the loans stood at even larger figures, being reported no less than $5,433,003,000 October 11, which was the maximum for the year. Of course, the banks greatly extended their borrowings at the New York Federal Reserve Bank. Beginning with the return for Feb. 21, 1919, the New York weekly Clearing House return commenced reporting an entirely new item. We have reference to the item designated "bills payable, rediscounts, acceptances and other liabilities." This constitutes a sort of tell-tale of the borrowings at the Reserve Bank. On February 21 the amount of this item was given as $808,180,000. For Dec. 27, 1919, it was $1,004,338,000. At times during the year the amount was yet larger, being highest November 8 at $1,064,705,000. The increase in the bill holdings of the New York Federal Reserve Bank similarly indicate the growth in the extent to which resort was had to the facilities of the Reserve Bank. For Dec. 26, 1919, the total of bills in the portfolio of the New York Federal Reserve Bank was $979,506,000, as against $721,698,000 Dec. 27, 1918. The holdings of bills secured by Government war obligations decreased from $610,770,000 to $584,588,000, but the bills discounted secured by mercantile paper increased from $41,605,000 to $203,606,000, and the holdings of bills purchased in the open market ran up from $39,323,000 to $191,313,000. The surplus reserve of the New York Clearing House institutions, above legal requirements, on Dec. 27, 1919, was $8,232,540, against $42,804,340, Dec. 28, 1918. The surplus varied widely from week to week, on occasions during the year, particularly in the autumn, and it happened twice that there was an actual deficit below the legal requirements (only reserves held with the Federal Reserve Bank counting as "legal" reserves, cash in vault never being included as far as member banks of the Federal Reserve system are concerned). The dates of these deficits were September 20 and December 20, the amount of the deficit at the earlier date having been $53,186,140, and on the later date $12,320,830. On the first of these occasions the matter caused uneasiness, it having been the first time that such a situation had arisen since the establishment of the Federal Reserve System. Later the fluctuations in the reserves of the New York institutions ceased to attract much notice, it having been demonstrated over and over again that the reserve position of the Clearing House banks varied in almost direct ratio with the borrowings at the Federal Reserve Bank. One week the borrowings would be sharply reduced and reserves would fall to a low figure or be entirely wiped out. The next week new borrowing would again be indulged in, thus adding to reserves with the central institution and the cash reserve position would once more take on a favorable or seemingly favorable aspect. This new borrowing, however, would impair the reserve position of the Federal Reserve Bank itself, with the result that the Reserve Bank would now be obliged to take extra precautions to restrict borrowing so as to improve its own position. Yet in the latter half of the year this shuttlecock performance continued for long periods of time, a good bank statement being concurrent with a poor Federal Reserve return or vice versa, an unfavorable Clearing House statement being coincident with a favorable Federal Reserve report. Quite early in the summer the New York Federal Reserve Bank found its reserves down close to the legal minimum and for the rest of the year it was a constant struggle to prevent impairment of its reserve position. The New York Reserve Bank had $824,944,000 of Federal Reserve notes in actual circulation December 26 1919, against $736,553,000 December 27 1918.

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For the Federal Reserve system as a whole—that is, for the 12 Federal Reserve Banks combined—the course of things was much the same. The last six months of the year were a period of constant strain, with the Federal Reserve Board and the officials of the Federal Reserve Banks making strenuous efforts to prevent an increase in the demands upon the facilities of the Federal Reserve Banks and meeting with only indifferent success in the endeavor. It was the hope of the Federal Reserve authorities that holdings of war obligations carried in loans by the banks would be gradually liquidated and they urged particularly that as the credits thus employed were released measures should be taken to guard against their being used for speculative purposes. The warning at first seemed to be directed mainly against Stock Exchange speculation, but it soon became apparent that speculation of any kind also must come under the ban—whether in commodities, in real estate or in anything else. It cannot be said that the promptings and urgings of the Federal Reserve authorities were without avail, but despite all they said and did the demands upon the credit facilities of the Federal Reserve Banks kept constantly increasing. Borrowing on war paper diminished somewhat, though very much less than had been counted upon or hoped for. On the other hand, other kinds of borrowing kept steadily expanding and ran far in excess of the reduction of bill holdings through liquidation of war paper. To meet the calls for further accommodation large additional amounts of Federal Reserve notes had to be issued. Reference has already been made to the expansion in Federal Reserve note issues by the Federal Reserve Bank of New York. For the 12 Reserve Banks combined the aggregate of Federal Reserve notes in actual circulation stood at $3,057,646,000 Dec. 26 1919, against $2,685,244,000 December 27 1918. During the same 52 weeks an increase also occurred from $117,122,000 to $261,039,000 in the volume of Federal Reserve *bank* notes in circulation. Gold reserves fell off somewhat, being $2,078,432,000 December 26 1919, against $2,090,274,000 December 27 1918; and as the deposit liabilities of the Federal Reserve System, like the note liabilities considerably increased the ratios of cash reserves naturally were reduced. On December 26 1919, the ratio of cash reserves to net deposit and Federal Reserve note liabilities combined was 44.8%, as against 50.6% December 27 1918. The statute requires 40% reserves against note circulation and 35% reserve against the deposit liabilities.

The State of the Foreign Exchanges

In the foreign exchanges, the year will always stand as one of the most momentous in history. In the years while the war was actively in progress, exchange rates on Great Britain and France and in minor degree also on Italy had been maintained at artificial figures. Hostilities having ceased with the signing of the armistice in November 1918, a new situation confronted the great Powers in 1919. It was recognized that under peace conditions artificial aids of this kind would have to abandoned—support indefinitely was out of the question—and even if attempt should be made to continue the practice for the time being the effort must sooner or later prove futile. Accordingly, quite early in the year, artificial restraints, which for so long a period had been maintained with absolute success in the case of both Great Britain and France, were removed and the exchange market left to itself, free to respond to the play of natural influences. This action meant a complete readjustment of exchange values on all the belligerent countries of Europe to much lower levels. There was nothing to do except to let these new and lower levels be found. The situation was without parallel. All the Entente Powers were heavily indebted to the United States, and their needs in the way of food and other supplies and for materials necessary in the process of reconstruction in rectification of the havoc created by the war were such that the trade balance must run heavily against them and in favor of the United States for a long time to come. In these circumstances drastic declines in exchange rates were inevitable and the year will always be memorable for the extent of these declines. But though it was generally realized how heavy were the handicaps under which the Entente countries labored in their dealings with the United States, the drop in rates went much further than anyone supposed likely or even possible—and as it happened, still lower depths were to be reached in 1920. In the case of the exchange rates on the countries which were neutral during the war quotations also moved to a lower basis, not merely in sympathy with the general slump, but because these neutral countires with the cessation of hostilities lost in not a few instances certain advantages which they had enjoyed during the war. In the case of Germany and Austria it is almost needless to say the bottom dropped almost completely out.

In January and February quotations for sterling bills and for French francs and Italian lire continued pegged with transactions limited to routine requirements. In March there came the change discussed above. Things had been following the customary routine when on Tuesday, March French exchange. This was followed on Thursday, March 20, by the announcement from J. P. Morgan & Co. that the British Government had ordered the cessation of purchases of sterling exchange, which meant, of course, the removal of the "peg" which had held sterling exchange at an arbitrary fixed figure for so long. Complete demoralization developed the latter part of the month as a result of these steps. The rates for cable transfers on London had been held at 4.76 7/16, while the rate for sight bills on London had been maintained in the immediate vicinity of 4.75¾. On March 20 there was a drop in the former case to 4.71 and in the case of sight bills to 4.70. By the end of the month cable transfers were down to 4.59 and sight bills to 4.58. The lowest point previously reached by sterling during the war had been in September 1915, when 4.50 had been quoted for demand bills just prior to the placing of the Anglo-French loan. In the case of the French franc there had never been any attempt to maintain absolutely fixed rates, larger or smaller deviations having been permitted, the support having been apparently general rather than specific. On March 3 the quotation for checks on Pairs was 5.49@5.45½ francs to the dollar. Until the middle of the month there was relatively little change. On Saturday, March 15, there came a small drop and this the next week was succeeded by a decline at an accelerating pace. The rate then recovered only to drop again the next week, and March 31 saw French exchange down to 6.07 francs to the dollar. The previous low point for French checks during the war had been in 1916 when the quotation April 13 had been 6.07½ francs to the dollar.

Support was also withdrawn during March from Italian exchange. Until March 21 the quotation for cable transfers on Rome by the Federal Reserve Bank had been 6.35 lire to the dollar. On the day mentioned there was a drop to 7.05 and on March 22 to 7.70, while on March 27 the quotation got down to 8.00 though by March 31 there was a recovery to 7.45@7.40 to the dollar. The reason for the collapse here was that on March 21 Fred I. Kent, Director of the Division of Foreign Exchange of the Federal Reserve Board, gave out a statement saying: "All restrictions as to the sale or purchase of lire exchange by dealers as described under the executive order of the President of Jan. 26 1918, are hereby removed until otherwise instructed." The course of the exchange market for the rest of the year was a record of renewed further declines interspersed with recoveries from time to time, none of which, however, proved lasting. In April sterling bills enjoyed a substantial recovery, but neither the French franc nor the Italian lire shared in this to any substantial extent. In May very pronounced weakness again developed in sterling exchange, while the decline in francs and lire reached sensational proportions. In June weakness was again the predominating feature in sterling exchange while French exchange and Italian exchange showed no improvement. In July rates for sterling bills dropped lower even

Fred I. Kent

than in 1915 when, as already stated, demand bills got down to 4.50 just before the British Government stepped in and extended support. In French exchange, new declines were reported almost daily and the Italian lire also broke to still lower figures. In August the foreign exchange market at times was utterly demoralized and new low records were established all around. In September exchange after a further manifestation of weakness in the early part of the month, in which new low levels were established in the case of exchange on the former belligerent countries of the continent of Europe, quite a striking recovery ensued the latter part of the month. This recovery extended into October, but pronounced weakness once more became the dominant characteristic the latter part of this month. Brief spurts of strength would be almost immediately followed by renewed weakness. In November the pound sterling dropped below $4.00 and new low records were also established for exchange on Paris and on Rome, not to speak of Berlin and Vienna, while in December utter demoralization developed under further startling declines in rates. Indeed, the collapse was so complete that the market the early part of the month fell into a state closely bordering on panic. Demand bills on London on December 12 got down to 3.65¼ (this comparing with 4.86⅝, the value of the pound sterling when at par), and though by December 17 there was a recovery to $3.91¼, this recovery was not maintained, and by December 31 the rate was down again to $3.75. The French franc during December continued to decline until on December 10 it required 11.84 francs to make the equivalent of a dollar (the value of the French franc when at par being 5.18 francs to the dollar); the close December 31 was at some recovery, with the quotation 10.92@10.87 francs to the dollar. The Italian lire in the closing months of the year also suffered another drop with the effect of breaking all the preceding low records—followed then by an irregular period of recovery. The rate on checks on December 11 got down to 13.60 lire to the dollar, with the quotation December 31 13.27. As for rates on Germany and on Austria, trading in exchange on those countries was not resumed until July, and therefore no quotations were available

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prior to that time. Transactions in exchange on Berlin began around noon on Wednesday, July 16. Opening quotations were at 8 cents for checks and 8¼ cents for cable transfers, which was practically the basis previously established for dealings in marks on occupied territory in Germany by the American authorities. As compared with the value of the reichmark when at par, namely, 23.82 cents, these looked like very low figures; in December, however, the mark got down December 9 to 1.87 cents with the close December 31 at 2.03 cents. In exchange on Vienna, quotations first appeared July 26, the rate for checks being 3.25 cents and for cable transfers 3.50 cents, the value of the Austrian crown when at par being 20.26 cents. By the following December the rate had dropped almost out of sight, the quotation December 9 being only 0.51@0.55 for checks and 0.53 @ 0.57 for cable transfers; on Dec. 31 the quotation was 0.58 @ 0.60 and 0.60 @ 0.62, respectively.

In the case of exchange on the other European centres, it will be sufficient to give simply the quotations at the beginning and the end of the year to indicate that the trend in all cases was strongly downward and to show the extent of the decline. The Swiss franc suffered less depreciation than any other European currency, but even in that case the rate moved lower. In this instance, however, the value of the medium was at a premium with the opening of the year. The Swiss franc when at par is 5.18 francs to the dollar. The quotation for sight bills on Switzerland, January 2, was 4.86@4.85 units to the dollar; on December 31 1919, on the other hand, 5.62 @5.52 francs were required in exchange for the dollar. Guilders on Amsterdam for sight bills were quoted at 42 7/16@42½ Jan 2, and at only 37¼@37⅜ Dec. 31. At normal parity the value of the guilder is 40.20 cents. The Spanish peseta for checks was quoted at 20.05 cents January 2 and at 19.20 December 31. The normal value of the Spanish peseta is 19.30 cents.

Exchange on the Scandinavian centres, experienced a tremendous slump. When at par the Scandinavian kroner or crown is worth 26.80 cents. On January 2 the Danish kroner was quoted at 26⅞, while on December 31 the quotation was only 18.82. Similarly the Swedish crown which had been quoted January 2 (for checks) at 29⅛, on December 31 commanded only 21.25 cents in our money. In like manner the Norwegian crown against 28.00 cents January 2 commanded only 20.25 cents December 31.

An important factor in foreign exchange rates and dealings during the year was the removal of embargoes on the exportation of gold. Restrictions on export shipments of manufactured gold were removed in effect by regulations issued by the War Trade Board effective May 9. These regulations provided that all manufactures of gold, the bullion value of which did not exceed 65% of the total value, might be exported without individual export license under special export licenses applicable to the exportation of commodities not on the Export Conservation List. Manufactures of gold, the bullion of which exceeded 65% of the total value, it was stated, would be regarded for the purpose of exportation as gold bullion, the exports of which were still under the exclusive control of the Federal Reserve Board. On June 9, there came the announcement also of the removal—this time by the Federal Reserve Board—of the embargo on exports of gold as also the termination of restrictions affecting transactions in foreign exchange. Some of the Reserve Board's comment in its announcement of the

William Z. Foster

withdrawal of the ban on exports of gold is decidedly interesting in the light of the subsequent developments. It expressed the opinion that our gold reserves were so strong that even a very considerable outward movement of gold could be faced without any apprehension. To the extent that such shipments tended to restore normal conditions elsewhere they would tend to increase the buying power of nations that wished to become and should be our customers. The advances by the United States to Governments associated with this country in the prosecution of the war were rapidly coming to an end with the result that the command of the rest of the world over our gold would be decreased and it was quite possible that with the restoration of more normal conditions elsewhere and the continuance of large favorable trade balances a movement of gold toward the United States might set in. Such a movement, the Reserve Board urged might "well prove to be undesirable tending as it would to keep our prices above the level of other markets and so put us at a disadvantage in international trade." The movement of gold this way which might prove the occasion for the anxiety and apprehension here expressed did not materialize; the outflow of the metal, on the other hand — to South America and the Far East principally — reached far larger proportions than expected; and, as for our gold reserves being so strong that we could readily spare considerable amounts out of it, the credit situation became so strained the latter part of the year and borrowing at the Reserve Banks was so greatly augmented that the double process of depleting the ratio of reserves (1) by increase of liabilities and (2) by reduction of gold holdings, began to be viewed with no little concern. Beginning with June the United States lost heavily on the international gold movement each and every month, and for the seven months ending with December 1919, the net loss of gold to the outside world was $301,926,083. For the 12 months of the calendar year 1919, the exports of gold exceeded the imports of the metal in amount of $291,651,202, as already stated further above.

Course of the Stock Market

In the stock market the year will always be memorable for the wonderful advances in prices recorded in the shares of the industrial properties. The railroad stocks, except in a few special instances, failed to participate in the upward flight in prices. This was because of the doubt surrounding their future, inasmuch as they were still under Government control (the effect of which had been to saddle them with a growing burden of high wages, besides steadily impairing the efficiency of railway labor), and Congress having displayed complete indifference to enacting the necessary legislation providing for the return of the roads to private control. Barring the apathetic character of the transactions in the railroad shares, the speculation for higher prices on the Stock Exchange can be said to have had few, if any, parallels in the similar movements witnessed in the past. In this we have reference alike to the buoyancy and activity of the market and the ascent of prices. Beginning about the middle of February, the speculation took on more and more the character of one of those great bull movements which at the most are witnessed only once or twice in a generation, when the whole community seems to be seized with a frenzied desire to acquire stocks on the theory that whatever the immediate outlook a period of great prosperity must be deemed to lie ahead in which all undertakings will share save only those absolutely destitute of merit. In the fervor characterizing the speculation it was comparable only to the great revival which occurred on the Stock Exchange in 1879 and 1880, following the resumption of specie payments on Jan. 1 1879, and with that other great upward swing in values which culminated with the corner in Northern Pacific shares in May 1901. The pace was fast and furious most of the time, with new high records of prices constantly being established. Cliques and pools were ceaseless in their efforts to bring about advances in particular stocks, and their manipulation played, of course, an important part in the success of the movement. But these are inevitable concomitants of "bull" campaigns, and the underlying strength of the movement lay in the wide and general support which it had received at the hands of the public and without the aid of which it would have been foredoomed to failure.

The factor of paramount importance in this tremendous speculation was unquestionably the waging to a successful conclusion of the greatest war in human history with the resources of the United States only slightly impaired—whatever might be the financial and economic aspect of the European countries which had been associated with this country in the war. While the conflict was in progress the ban put on the use of money and of capital in the promotion of undertakings not deemed essential for the conduct of the war had imposed a check upon speculative endeavors of every kind on the Stock Exchange. During the preceding year—in 1918—stock prices had over and over again manifested a rising tendency which undoubtedly would have developed into

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a speculative movement of large proportions had it not been that the New York financial authorities (in pursuit of their policy of husbanding their resources so as to be able to finance the needs of the Government) had refused to encourage Stock Exchange speculation and had declined to furnish monetary facilities for that purpose.

Thus the situation at the opening of 1919 was that, while substantial advances in prices had been established on the Stock Exchange during 1918, there had been no broad and sustained bull movement nourished by popular support, while following the signing of the armistice, in November 1918, somewhat of a downward reaction had actually occurred. But in January the restrictions imposed upon the money market and upon Stock Exchange dealings were removed. The announcement that these restrictions were to be discontinued came on Jan. 24. With that action control by the Stock Exchange Committee over borrowing was definitely suspended and simultaneously the arrangement which the Money Committee had made with a large group of New York banks to furnish funds for Stock Exchange loans also came to an end. Thus the restraint upon Stock Exchange borrowing, which had previously existed for about a year and a half, was now to be absent, or at least was no longer to be a damper upon Stock Exchange operations, though it remained true that at the request of the Money Committee and the Treasury Department the Stock Exchange authorities continued to exercise a certain degree of surveillance over Stock Exchange speculation—that is, there was compliance with the request that they "continue to receive from members of the Exchange daily reports of their borrowings until after the next Liberty Loan is placed."

With the removal of the restraints that had repressed speculation so long, pent-up energies were released and quickly began to make their influence felt. In the early months of the year much doubt existed as to the course of business for the immediate future, as indicated further above, many predictions being made of a trade reaction. These doubts, however, gradually passed away, and with this the forward movement of prices began to gain steady headway, despite numerous unfavorable developments of one kind of another. From the middle of February to the end of May the rise in prices made almost uninterrupted progress, the pace being fast and furious, and the rise in prices reaching tremendous proportions with the speculation constantly broadening. In the summer months, however, the speculation encountered serious setbacks in high and advancing money rates. Those engineering the bull campaign had counted upon continued low money rates. During the period of war it had been deemed best by the financial authorities not to let call loan rates go above 6% per annum. Whenever indications of a scarcity of funds for the limited speculation that was permitted became manifest, the local combination of banks, which was cooperating with the Treasury Department in conserving banking facilities in the interest of Government needs, would furnish funds at the 6% rate mentioned. These speculators for a rise supposed this policy would be continued. They also imagined that with the Federal Reserve Banking System in operation, affording to member banks of the system rediscounting facilities of huge magnitude, accommodation for Stock Exchange purposes would be of practically unlimited extent. In both expectations they were to be sadly disappointed. Call loan quotations went far above the 6% rate counted upon as the maximum and, what is more, not only was no attempt made by either the Reserve Banks or the member banks to hold money rates down, but the Reserve Bank authorities uttered repeated warnings against the use of the credit facilities of the banks at all for Stock Exchange speculation. The consequence was that the Stock Exchange had many a bad turn during the summer months, with violent breaks in prices. Through it all, however, the underlying strength of the market was fully maintained and quick upward rebounds in prices occurred with every removal of monetary pressure. In the autumn the labor troubles came to supplement the unfavorable influence exerted by the monetary tension. But in the case of the steel strike, which was inaugurated in September, it was quickly seen that the strike was foredoomed to failure and there were also multiplying evidences that labor movements were recoiling upon their authors. As one illustration of this, there was the Boston policemen's strike, where the policemen lost their jobs, and Governor Coolidge of Massachusetts received unqualified popular approval for his firm and uncompromising stand against the striking policemen, he even getting a telegram of commendation from President Wilson. Accordingly, the stock market once more showed that its normal tendency was still strongly upward. Unmistakable evidence of this appeared in September, while in October tremendous activity again developed with further great advances in prices. During all this time money rates continued to rule high, and there were other untoward happenings and incidents. In November, the money situation once more began to assert its full influence; and with the Federal Reserve authorities looking with extreme disfavor upon the wild and apparently uncontrolled speculation on the Stock Exchange and determined to prevent the further use of the resources of the Federal Reserve Banks for the promotion of speculation of any kind, tremendous liquidation in stocks now took place on the Stock Exchange and caused a collapse in prices compared with which few parallels are to be found in Stock Exchange annals. Some recovery from the low points reached in November occurred in December, but the result altogether was that the year closed with substantial recessions all around from the extreme high figures of the twelve months, after one of the most pronounced bull campaigns in Stock Exchange history.

The Stock Market in 1919

A survey of the stock market by months shows that in January and the first half of February the course of prices still continued strongly downward under the influence of a series of unfavorable developments which are enumerated at length in our monthly narratives on subsequent pages. In January about the only interruption to a continued decline came on Saturday, Jan. 25, as a result of the announcement made after the close of business the day before that money restrictions as regards Stock Exchange loans had been discontinued. On this news active stocks opened at an advance of from 1 to 2 points over the closing figures the previous day. The advance, however, was not maintained, the most of it being lost before the end of the half-day's session and the next week the market again resumed its downward course. In February, after further important declines as a consequence of a variety of depressing influences, there came that complete change in the character and tone of the market to which reference has already been made. The definite turn of the market may be said to have come on Friday, Feb. 14. In the upward swing the latter part of the month the advances reached substantial proportions, though it was not then apparent that the turn in the market, which came with Feb. 14, was to inaugurate one of the most gigantic bull campaigns in Stock Exchange history. At the outset, there were many doubts and misgivings as to whether the market course had been permanently changed, and a genuine revival of Stock Exchange speculation for higher prices had been begun. In March the upward movement was carried still further, despite some further adverse developments and untoward happenings—the effect of which, however, was merely to cause downward reactions. Some of these downward dips were quite severe, but quick recovery always followed. Accordingly, confidence in the stability and permanence of the rise in prices was manifestly strengthened. One of the depressing influences in March was the utter demoralization of the foreign exchange market that developed the latter part of the month as a result of the withdrawal of support from the French franc and the removal of the "peg" which had so long held sterling exchange rates at practically fixed figures. The way the stock market bore up under this strain did much to inspire confidence in the speculation. In April the upward movement continued to gain momentum and the character of the market became unmistakably fixed as a type of one of the greatest speculative campaigns in Stock Exchange history. In May the buoyancy continued unabated and the rise in prices assumed even larger dimensions than before. In June the market received a severe jolt by the advance in call loan rates on the Stock Exchange. This happened at the very beginning of the month and prices took a general tumble, the declines in some of the specialties being as precipitate and as pronounced as the previous rapid and huge advances. The speculative fraternity had supposed that the Federal Reserve Banking System afforded a guaranty against high money rates. When, therefore, on June 3 there came a spurt in call loan rates, and some borrowers found themselves obliged to pay as high as 11% per annum to get the accommodation they needed, consternation seized possession of the speculative fraternity. Later in the month there came other similar spurts in call loan rates, 15% being reached on June 16 on industrial collateral and 12% on mixed collateral, with reports that 20% had been paid after the close of business on loans of about $1,000,000. However, the stock market, and the speculators behind it, quickly accommodated itself to the new situation and appeared to be all the better for the shake-down it had received. Each downward plunge — and there were many of them during the month—brought a new set of buying orders, and, notwithstanding the general market experienced a severe decline, not a few stocks advanced and established new high records.

In July the condition of money again exerted a dampening influence. During the first three weeks of the month the disposition was to ignore the money market and to proceed in disregard of the same. Pool operations continued in many of the minor stocks and notable and even sensational advances were established in such stocks—often when the rest of the list was displaying a reactionary tendency. In the end, however, the money situation dominated everything else. On Monday, July 21, a general break in prices occurred second only to that experienced at the beginning of June. This break, however, was followed the next day by a quick recovery, and this recovery continued on succeeding days, the steel, oil, motor and tobacco stocks moving up several points. But the loan situation did not improve and on July 29 another general all-round tumble in prices occurred, and the market closed on July 31 in a decidedly nervous state.

In August the market had some decidedly bad turns, and the downward tendency of prices not only continued but proceeded at a greatly accelerated pace. In the last week of the month, however, there was a decided change for the better. This further break in August, it is proper to state, had no connection with the condition of the money market, which assumed a distinctly easier tone. The causes of the sensational declines were found in the unsettled labor situation and the radical doctrines promulgated in connection, therewith, though the further great weakness in foreign exchange also was a contributing influence. Apprehensions regarding the labor situation were later in the month considerably relieved by the action of President Wilson and the Director-General of Railroads, and this will explain the recoveries in prices at the close of August. In September the market once more revealed the characteristics common to periods of active speculation at rising prices, and it became apparent that the bull campaign, which had been such a marked feature earlier in the year, had during the summer months been merely suspended

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The First Year After World War I

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instead of definitely checked and ended. Some remarkable advances in prices now occurred. There was some further adverse developments, and in particular the further weakness in foreign exchange furnished occasion for worriment, but interest was chiefly centred on the labor troubles, and as these assumed a less menacing phase, the stock market reflected the fact in higher prices and renewed buoyancy. Efforts to avert the steel strike proved unavailing, and the strike was definitely inaugurated on schedule time, namely Sept. 22, and was maintained for several weeks thereafter, but the certainty of its defeat was obvious from the start, and, inasmuch as the labor situation elsewhere had so greatly changed for the better, the speculative spirit also revived, and prices once more rapidly moved upward. Towards the close of September the improvement developed into positive buoyancy, an attempt to widen the scope of the steel strike by extending it so as to include the plants of the Bethlehem Steel Company having proved an absolute failure. In October tremendous activity, with further great advances in prices, distinguished the speculation. In the case of many of the higher-priced specialties the upward spurts were of sensational proportions and, considered in connection with the antecedent great rise, served further to mark the bull movement of 1919 as among the most notable in Stock Exchange records. Bear operators had their innings on occasions, the market yielding to pressure when developments in industrial affairs were unpropitious, but their successes were invariably temporary, and after each reaction the market quickly resumed its upward course.

In November a tremendous slump in prices occurred and the bull movement was definitely terminated—and in a way that could leave no doubt of its termination. Renewed tension in money resulted in the calling of loans on a large scale, and this in turn led to extensive forced liquidation. The recrudescence of the speculative fever in October had given the stock market a dangerous aspect, and it had become manifest that further drafts on the credit facilities of the banks must involve menace to the entire credit structure, if permitted. Bank officials were as cognizant of the peril as Federal Reserve officials. Both were determined that Stock Exchange borrowing must be further extended, but must be gradually reduced. This meant that new accommodation was out of the question and that prevailing accommodation to Stock Exchange borrowers must be lessened. Inability to replace existing loans brought many daring operators to a realizing sense of the risks they were running and induced them to lighten the loads they were carrying. On Nov. 12, call loan rates got up to 30%, with disastrous effect on Stock Exchange prices. While the market had many bad days during the month, Nov. 12 may be said to have been the worst, because on that day the declines were most violent and general and then it first became apparent that the bull element had lost control and manipulation no longer availed to check the downward avalanche. Further liquidation carried the market to new low levels on subsequent days, the unfavorable foreign exchange situation being an additional depressing influence. The railroad shares at first suffered comparatively little, which was natural, inasmuch as they had not participated in the long series of sensational advances made in the spring and summer in the industrial properties, but towards the end of the month they also had to undergo severe liquidation and showed weakness though never to the same extent as the industrial properties.

The November collapse, however, did not continue into December. In fact, this last month was one of distinct recovery in values even though the market had some more bad days, and the ease with which upward reactions were established seemed to afford evidence that the underlying strength remained unimpaired and that the reverses encountered during November, notwithstanding their severe character, had served in no manner to under-

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RANGE OF LEADING STOCKS IN 1919
ALL PRICES DOLLARS PER SHARE, NOT PER CENT

	Par	Opening	Lowest	Highest	Closing
Trunk Lines—					
Baltimore & Ohio	100	50	28¾ Dec 15	55¼ May 27	31⅝
Cleve Cin Chic & St L	100	36	32 Feb 17	54⅞ Jun 6	52
Erie	100	17⅛	12⅜ Dec 30	20¼ May 19	13
New York Central	100	75	66¾ Dec 12	83¾ Jun 6	69½
N Y Chicago & St Louis	100	30	23¾ Sep 24	33¼ July 10	27¾
Pennsylvania	50	45½	39⅞ Dec 16	48½ May 19	40⅝
New England and Eastern—					
Boston & Albany	100	135	116 Dec 16	145 Apr 3	123
Boston & Maine	100	31	28 Jan 30	38½ July 29	37
N Y N H & Hartford	100	31⅞	25⅛ Dec 12	40⅞ July 17	26⅝
Coal Roads—					
Central of New Jersey	100	207	170 Sep 23	213 Aug 19	175
Delaware Lack & Western	50	182¾	172½ Mar 18	217 May 7	190
Delaware & Hudson	100	104	91½ Dec 1	116 May 29	93
Lehigh Valley	50	55⅛	40½ Dec 30	60⅜ Jun 2	42
N Y Ontario & Western	100	20	16½ Nov 28	24¼ July 18	16¾
Reading	50	82¾	73⅞ Dec 12	93⅝ Jun 6	76¾
Western and Pacific—					
Canadian Pacific	100	160	126⅛ Dec 1	170⅞ July 10	132½
Chicago & Alton	100	7⅝	7¼ Jan 13	12½ May 15	7¼
Chic Milw & St Paul	100	39½	34⅛ Dec 12	52¾ July 17	37
Chic & North Western	100	96	85 Nov 28	105 May 26	86⅞
Chic Rock Isl & Pac (new)	100	25¼	22⅛ Jan 21	32¼ July 17	26¾
Colorado & Southern	100	21⅛	19 Dec 13	31¾ May 5	22
Denver & Rio Grande	100	3¾	3½ Apr 7	15½ July 14	6¾
Great Northern, pref	100	95¼	75⅛ Dec 12	100⅝ May 27	78⅜
Illinois Central	100	97¾	85⅞ Dec 30	104 May 16	86
Minn St Paul & S S M	100	91	70 Dec 16	98¼ May 29	72⅝
Northern Pacific	100	94½	77 Dec 12	99⅞ May 27	79
Southern Pacific	100	102	91⅞ Nov 29	115 Jun 2	102¾
Union Pacific	100	128¾	119⅛ Aug 8	138½ May 29	123⅝
Southwestern—					
Atch Topeka & Santa Fe	100	93½	80½ Dec 12	104 May 27	83⅞
Kansas City Southern	100	19	13 Nov 28	25¼ May 19	15½
Missouri Kansas & Texas	100	5	4⅝ Feb 10	16⅜ July 22	9½
Preferred	100	8¾	8½ Jan 13	25⅛ July 18	12¾
Missouri Pacific	100	25	22⅛ Nov 29	38⅞ July 9	25¼
St Louis-San Francisco (new)	100	13½	10¾ Jan 21	27¾ July 17	18⅜
St Louis Southwestern	100	17⅞	10⅞ Dec 18	23⅜ Jun 9	13
Texas Pacific	100	29⅛	27½ Jan 21	70½ July 2	41¾
Southern Roads—					
Chesapeake & Ohio	100	56½	51½ Dec 16	68½ May 17	55⅜
Louisville & Nashville	100	118½	104⅞ Aug 19	122¾ May 17	109¼
Norfolk & Western	100	107½	95 Dec 1	112½ May 19	97
Seaboard Air Line	100	8⅞	6⅝ Dec 27	12 July 23	6⅞
Preferred	100	17⅝	12 Dec 19	23¾ July 17	14
Southern Railway	100	29⅞	20¼ Dec 12	33 May 19	22¾
Preferred	100	70	52⅞ Dec 12	72½ May 27	56
Miscellaneous—					
Allis-Chalmers Mfg	100	32⅞	30 Jan 21	51⅜ Oct 8	50⅞
Amer Agricul Chemical	100	101	87 Sep 2	113¾ May 1	91⅜
American Beet Sugar	100	65	62 Jan 3	101¾ Oct 21	94
American Can	100	47	42⅞ Feb 11	68⅝ Sep 30	55
American Car & Fdry	100	93⅞	84½ Feb 10	148⅜ Nov 5	140¼
American Cotton Oil	100	39⅝	39⅝ Jan 2	67½ July 14	50¾
Amer Internat Corp	100	••55⅞	••52⅜ Feb 8	††132¼ Oct 31	††116⅜
American Locomotive	100	61	58 Jan 21	117½ Oct 7	101
Amer Smelt & Refining	100	76⅝	61½ Dec 1	89¾ July 16	69¾
American Steel Foundries	33⅓	§36	33¼ May 10	47 July 7	45¾
Amer Sugar Refining	100	112½	111¼ Jan 21	148⅜ Oct 29	139⅞
Amer Telep & Teleg	100	100⅞	95 Dec 30	108⅝ Mar 10	96½
American Tobacco	100	195½	191⅞ Feb 4	314½ Oct 24	277
Amer Woolen of Mass	100	51	45¼ Jan 16	169½ Dec 31	162½
Anaconda Copper	50	60½	54⅜ Nov 29	77⅞ July 16	63⅝
Atl Gulf & W I SS Lines	100	107¾	92 Feb 8	192⅝ Oct 31	168¾
Baldwin Locomotive	100	74½	64⅞ Jan 29	156¼ Oct 22	113¼
Bethlehem Steel Corp	100	61¼	55½ Jan 20	107¾ July 15	94¼
Class B common	100	61¾	55⅜ Jan 21	112 Oct 23	97¼
Calif Petroleum v t c	100	20⅜	20⅜ Jan 2	56⅞ Oct 20	43¼
Central Leather	100	60⅜	56½ Feb 8	116½ July 24	100⅜
Colorado Fuel & Iron	100	36⅝	34¾ Feb 10	56 July 14	42¼
Continental Can	100	69⅛	65½ Feb 10	103¾ Jun 7	88¼
Corn Products Refining	100	48⅛	46 Jan 21	99 Oct 22	85
Crucible Steel of America	100	58	52⅛ Feb 7	261 Oct 23	217
Cuba Cane Sugar	No par	29½	20⅜ Jan 27	55 Dec 8	52½
Distillers Secur Corp	100	x49¾	x49 Jan 2	66⅜ Mar 14	‡
Fisher Body Corp	No par	39	38¼ Jan 8	173 Oct 8	131¼
General Electric	100	151	144½ Feb 2	176 Oct 20	169½
General Motors Corp	100	133	118½ Jan 21	406½ Nov 5	x339
Goodrich (B F) Co	100	57	56½ Jan 10	93⅜ Oct 29	81
Int Mercantile Marine	100	26⅞	21¼ Jan 31	67¾ July 11	49¾
Preferred	100	112⅛	92¾ Feb 10	128½ May 28	109½
International Paper	100	30⅜	30¼ Jan 3	82 Nov 5	79¾
Kelly-Springfield Tire	25	69¾	68 Jan 21	164 Nov 3	143½
Kennecott Copper	No par	32¾	27⅝ Nov 29	43 July 15	29⅞
Keystone Tire & Rubber	10	‡99	38⅜ Dec 29	126½ July 14	43½
Lackawanna Steel	100	67⅝	62½ Jan 21	107¾ Nov 1	87⅝
Maxwell Motor	100	28½	26¾ Jan 22	61 July 28	31¼
Mexican Petroleum	100	179½	162¾ Jan 23	264 Oct 22	217
National Lead	100	65⅞	64 Jan 11	94½ Oct 23	82⅜
New York Air Brake	100	105	91¼ Feb 3	145¾ Oct 22	112
Pacific Mail SS	5	38	29½ Feb 8	42⅜ July 11	38
Pan Am Pet & Trans	50	69¾	67 Jan 21	140¼ Oct 22	104½
People's Gas Lt & Coke	100	49	32 Dec 30	57 May 26	34½
Pressed Steel Car	100	62½	x59 Feb 11	109 Oct 20	101⅛
Railway Steel Spring	100	76	68½ Feb 10	107½ Nov 5	98½
Republic Iron & Steel	100	74¾	71½ Jan 18	145 Nov 1	122½
Sinclair Cons Oil Corp	No par	•34	•33¼ Jan 2	•69¾ May 8	43¾
Sloss-Sheffield Steel & Iron	100	49¾	46½ Feb 10	89 Nov 3	73½
Studebaker Corp (The)	100	52	45¾ Jan 22	151 Oct 28	109
Texas Co (The)	100	184¾	184 Jan 2	345 Oct 30	226
U S Food Products Corp	100	‡66	66 Apr 8	91⅜ Oct 1	78½
U S Industrial Alcohol	100	104	x97⅛ Dec 1	167 May 27	112¼
U S Rubber	100	80¾	73 Jan 21	139¼ Nov 6	136⅜
U S Steel Corporation	100	94¾	88¼ Feb 10	115½ July 14	106⅝
Preferred	100	113⅝	111¼ Dec 12	117½ July 17	113¾
Utah Copper	10	74⅞	65⅛ Feb 7	97½ July 16	76½
Virginia-Carolina Chemical	100	53	51 Feb 10	92½ July 14	67¼
Western Union Telegraph	100	88	82 Sep 22	92½ May 26	87
Westinghouse Elec & Mfg	50	41⅜	40½ Jan 21	59⅞ Jun 9	55
Willys-Overland (The)	25	26⅜	23¼ Jan 22	40¼ Jun 2	32

x Ex-dividend. •Sinclair Oil & Refining Corporation; name changed in September to Sinclair Consol. Oil Corp. †First sale was made April 8; formerly Distillers Securities Corporation. ‡See U. S. Food Products Corp. §First sale was made May 7; previously to that date par value was $100 and range was from 68 Feb. 8 to 109⅛ May 1. ¶First sale April 11. ••80% paid. ††Full paid.

Below are general statistics for 1919 and 1918:

GENERAL SUMMARY FOR TWO YEARS

	1919	1918
Coin and currency in U. S. Dec. 31	$ 7,961,320,139	7,780,793,606
Bank clearings in United States	$ 417,519,523,388	332,354,026,463
Business failure	$ 113,291,237	163,019,979
Sales at N. Y. Stock Exchange	shares 316,787,725	144,118,469
Imports of merchandise (12 months)	$ 3,904,406,327	3,031,212,710
Exports of merchandise (12 months)	$ 7,922,150,592	6,149,087,545
Net exports of gold (12 months)	$ 291,651,202	•20,972,930
Gross earnings (12 months)	$ 5,173,647,054	4,915,516,917
Net earnings (12 months)	$ 764,578,730	908,058,337
Railroad constructed	miles x686	x721
Wheat raised	bushels 940,987,000	921,438.000
Corn raised	bushels 2,917,450,000	2,502,665,000
Oats raised	bushels 1,248,310,000	1,538,124,000
Cotton raised	bales a11,030,000	11,602,634
Pig iron produced	(tons of 2,240 lbs.) 31,015,364	39,054,644
Lake Sup. ore shipments by water	(gross tons) 47,177,395	61,156,963
Copper production, refined, in U. S.	lbs. 1,863,580,381	2,476,077,401
Anthracite shipments	(tons of 2,240 lbs.) 66,855,462	76,649,918
Coal of all kinds	(tons of 2,000 lbs.) 544,263,000	678,211,904
Petroleum production (whole U. S.)	bbls. 377,719,000	355,927,716
Immigration into United States	No. 247,338	b115,916
Building operations, 286 cities	$ 1,505,317,260	496,537,914

•Net imports. a Agricultural Department's estimate, which does not include linters. x Estimates of "Railway Age Gazette." b These are the arrivals of alien immigrants. The net alien arrivals (immigrant and non-immigrant) for 1919 were 17,912, against 41,471 in 1918.

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The First Year After World War I

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mine confidence on the part of Stock Exchange habitues or the general public in the enduring character of the speculation. The railroad shares in most cases reached the lowest figures of the year in December, owing to the delay by Congress in the enactment of legislation providing for the return of the railroads to private control, though the latter part of the month prospects in that regard improved, and President Wilson, after the close of business on Dec. 24, gave notice that in order to allow a reasonable time to elapse for the completion of pending legislation the date for the termination of Government control would be deferred until March 1.

The year's record for the railroad shares is of very substantial declines for the reason already indicated, while on the other hand the record of the industrial shares is of general advances, even huge advances in the great majority of instances notwithstanding the severe break which occurred the latter part of the year. The fluctuations in railroad shares all through the year were less extreme than in the case of the industrial properties. These shares were laggards in the great advance of the spring and yet did advance nevertheless. The last six months they always declined when the general market was weak and often sagged when the industrial list was marching ahead with great rapidly. Among the trunk line stocks we find New York Central opened in January at 75, reached 83¾ in June, touched 66¾ in December, and closed December 31 at 69½; Pennsylvania opend at 45½, sold at 48½ in May, reached 39⅞ in December, and closed Dec. 31 at 40⅝; Baltimore & Ohio common opened in January at 50, touched 55¼ in May, dropped to 28¾ in December, and closed the year at 31⅝. Among the Western and transcontinental roads, Union Pacific stood at 123⅝ at the close of the year, against 128¾ at the opening, and in the interval sold as high as 138½ in May and as low as 119⅛ in August. Southern Pacific is an exception to the rule, and at 102¾ Dec. 31, sold a trifle higher than the opening price in January at 102, after having meanwhile been up to 115 in June and down to 91⅞ in November; for Northern Pacific the price Dec. 31 at 79 compared with 94½ Jan. 2, the high figure for the year having been 99⅞ May 27, and the low figure 77 Dec. 12. Great Northern pref. opened at 95¼, got up to 100⅝ in May and down to 75⅛ in December, with the close Dec. 31 at 78⅜. Of all the railroad shares the Canadian Pacific suffered the widest fluctuations; opening at 160 in January, it got up to 170⅞ in July, and dropped to 126⅛ in December, with the close 132½. Milwaukee & St. Paul common, opening at 39½, reached 52¾ in July, touched 34⅛ in December, and closed at 37. Atchison moved up from 93½ in January to 104 in May, but December saw it down to 80½; the close was at 83⅞. There was a speculation two or three times during the year in the low-priced railroad shares, and these make a better record than the rest of the railroad list. Texas & Pacific, in particular, belongs in this class, it having enjoyed a sharp rise on the Texas oil developments; from 27½ Jan. 21, it sold up to 70½ in July, but closed Dec. 31 at only 41¾. Minor improvements also occurred in St. Louis & San Francisco, Missouri Pacific and Rock Island shares. Among Southern railroads, the Southern Railway stock did not share in this improvement. Opening at 29⅞, the common shares sold at 33 in May and dropped to 20¼ in December, with the close Dec 31 22⅜.

The record for the industrial shares, as already stated, is one of very noteworthy improvement. The motor stocks were very prominent in the rise, and General Motors Corporation common jumped up from 118½ in January to 406½ in November; even after the break the latter part of the year the close Dec. 31 was at 339. Studebaker Corporation common rose from 45¾ in January to 151 in October, and closed Dec. 31 at 109. The oil and rubber stocks were also pushed up with great rapidity. As illustrations, Texas Company stock, which was quoted at 184 in January, sold at 345 in October, with the close Dec. 31 at 226; and Pan-American Petroleum & Transport moved up from 67 in January to 140¼ in October, with the close Dec. 31 at 104½. United States Rubber common, from 73 in January, got up to 139¼ in November, with the close 136⅜, and B. F. Goodrich common, as against 56½ in January, sold at 93⅜ in October, with the close at 81. Sugar stocks, on the great rise in the price of the commodity, were likewise distinguished in the same way. American Beet Sugar, from 62 in January, advanced to 101¾ in October, and closed at 94; American Sugar Refining common, from 111¼ in January, rose to 148⅜ in October, and closed at 139⅞; and Cuba Cane Sugar common jumped from 20⅜ in January to 55 in December, with the close 52½. Some of the steel shares were marked up with great rapidity under violent and wide fluctuations. This is not true of the shares of the U. S. Steel Corporation, which moved up and down in orderly fashion; Steel common, opening at 94¾ in January, touched 88¼ in February, reached 115½ in July, and closed Dec. 31 at 106⅝. On the other hand, Crucible Steel common, after selling at 52⅛ in February, was quoted at 261 in October, with the close 217, while Republic Iron & Steel common, from 71½ in January, advanced to 145 in November, with the close 122½. The equipment shares were among the conspicuous features of the year. Baldwin Locomotive common fluctuated between 64⅞ and 156¼, American Locomotive common between 58 and 117½, American Car & Foundry between 84½ and 148⅜. Among shares in other lines of industry distinguished in the same way, might be mentioned American Woolen common, which against 45¼ in January sold at 169½ in December, and International Paper common, which against 30¼ in January sold at 82 in November, and these illustrations might be extended indefinitely. As a matter of fact, to enumerate all the noteworthy advances in the industrial group would be to give nearly the entire list.

Railroads in Peacetime

(Continued from page 1071)

Expect Reduced Earnings

From now on we are naturally going to have lower gross revenues on American railroads. For the first seven months they were about the same as last year, but as you see carloadings go down and gross go down, and obviously net, you will see the carry-over from the first seven months of EPT equalize that lowering in gross, so that in my opinion the net income, despite the fact that gross may have gone down 30% in the last five months, will be almost the same—maybe 10 or 20% lower than last year.

The railroads have no reconversion problem. The other day in Chicago somebody said to me, "What is going to happen to Atchison common if gross goes off 30%?" I said, "What's happeniing to General Motors? The gross has gone off 100%." There is not going to be much gross for most industry in the next four months

In other words, those who do not like rails can always think of a hundred reasons why rails are of no value and in the same breath have no rebuttal as far as industrial stocks are concerned.

In order to forecast the future, as to what I think will happen to railroad bonds and stocks, we must necessarily review the history of the industry. In 1931, we had about 10½ billion dollars worth of railroad bonds, about 98% of which were owned by the institutions.

Real Bond Prices in the Thirties

Most of this 10½ billion dollars worth of debt was owned by financial institutions. Then the depression came along, and on top of the depression, the unregulated trucking industry came along. It was bad enough with the depression, but with the unregulated trucks, the rails also took a 25% cut in rates. That was a double blow to the railroad industry.

As a result, we have such things happening as this: In April, 1930 a financial syndicate brought out millions of Wabash 5's of 1980. We sold them to the banks and insurance companies at 102¾. One year later in 1931, those bonds sold on the New York Stock Exchange at 2¾, $27.50 for a $1,000 bond. How can such things happen? Obviously, with the institutions owning all the bonds, if they had not sold, it would be impossible that prices could ever decline to those levels.

It's simple enough as you analyze it. Supposing, in 1930 and 1931, all the buyers of sugar in the world stopped buying, and started selling. They couldn't sell to each other, they couldn't sell to anybody. Obviously sugar would sell for .01 of a cent a pound.

The buyers of railroad securities stopped buying and started to sell. They had nobody to sell to, so, generally speaking, almost all railroad bonds went down, even Pennsylvania bonds, to 35 cents on the dollar; the borderline bonds like Southern Pacific, 20; and the defaulted bonds almost without exception to 10 cents on the dollar.

Basis of Market Recovery

This being my business, I thought that there must be some answer to the riddle, so, for the last eight years, I have been trying to create a market among individuals for railroad securities, on the theory that those low prices didn't indicate what the bonds were worth. They simply indicated a condition in the market which would happen to anything. It would have happened to utilities or real estate securities as well.

Even before the European War started we knew that our approach would work out, because we had the reorganization of Chicago and Eastern Illinois long before the European War, **and that change from bankruptcy to solvency** was indicated in the prices.

Let's cite another example: Only three years ago Nickel Plate preferred sold for about 25, the common sold at about 11, and the bonds at about 52. The 5½% bonds sold for 52. Today the bonds are all paid off and the preferred stock is worth, under the exchange which is being offered, 140. Those Nickel Plate bonds at one time sold down to 12 cents on the dollar, and stocks down to a dollar.

I am not trying to indicate that the institutions own stocks. They didn't. But bonds control stock prices. If you sell the bonds of a company down to 10 cents on the dollar, the stocks must go down to 2 even though you don't own a share on them. Of course the same things happen on the upside, because when Nickel Plate reduced fixed charges from 7½ million, as they have, down to 3½ million, that restored their credit, and those same people who sold out the bonds at 10, 20, 30, and 40 cents, bought Nickel Plate 3⅜, only three months ago, at a premium.

In 1942 Delaware and Hudson sold at $7 a share and the bonds for 50. They reduced their fixed charges from 5 million 1 to 1 million 7, the bonds are selling at the call price; the stock went up to 57, and is now selling at 44.

In 1942 when I first talked to you, Chicago North Western 4's of '87 were selling at 21. They are now selling at the equivalent of 121. I predicted then that in the worst time, Chicago North Western preferred would be worth $20 a share. It was then seling at $2. Even today it is selling at 66 and it has paid $23 in dividends.

In other words, the extreme lows which were created, by this mechanical factor, of no buyers and the buyers becoming sellers, created those low prices. Just think of this; if institutions were allowed to use "prudent" judgment instead of "statute" judgment; if they were allowed to average and invest at 10, the same amount as they did at par, they would have a beautiful profit today. But unlike real estate, where they are allowed in effect to average,—in effect, if they got stuck with a business corner, they didn't go out and give it away for 5 cents on the dollar the next day. They built it up, held it, carried it along, and eventually bailed out.

But in 1942 you knew what you were going to get in Northwest. You knew you were going to get a $200 first mortgage bond and a $500 income bond and 4½ shares of preferred and a half share of common, and if you put values on them it was just a question of waiting until they were once again a solvent corporation.

The very people who created those low prices eventually bought first mortgage 3's of the Northwest which now sell at 104.

The Dow, Jones Averages Again

Going back a moment to the difference between industrials and rails, as I said, one sells at 172, as far as the public is concerned, and the other at 55. The Dow Jones industrials just made a new high for eight years. They are still about 22 points under their high of 1937. The rails are likewise 11 points under their high of 1937.

The Dow Jones industrial stocks yield 4% on the average, and high grade bonds yield a little less than 3%. Yet we have L. & N. yielding 7%, Atchison yielding 6.75%, Pennsylvania yielding 6.75%, Coast Line yielding 6.50%, Southern Pacific over 6.50%, and Great Northern over 6.50%. I think that railroads will get their share of the peacetime business, and with the other facts

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Railroads in Peacetime

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that I will relate to you, they will be justified in going on a regular dividend basis.

If you do not believe we are going to have any kind of business in peacetime, I don't know what you can buy to protect yourself, because well do I remember in 1937 when industrials were selling higher than they are now. Obviously, stocks are not going to go on a 3% basis. The market is discounting increased dividends, when EPT goes off, even though gross goes off 40 or 50%. That certainly is what they are discounting in industrial stocks. Why can't we do the same thing in railroad stocks? Don't forget, if we have bad times, nothing stays up, as far as stocks are concerned.

You remember 1937 and 1938. Go down the Dow Jones Averages. Allied Chemical sold down from 258 to 124. American Telephone sold from 187 down to 111, Chrysler from 135 down to 35, and so on. Nothing was exempt. The oil stocks, like Standard Oil, went down 50%.

I think you will all grant me that today's industrial stock prices indicate that we are going to have a relatively good peacetime business over the next four or five years. Therefore, I believe the railroads, which are at such a great spread from the industrial stocks, particularly in yield, that we can look forward to good railroad stocks selling on a 5% basis with the present dividends, and the gradual entry into that dividend-paying field of a great many other stocks.

Great Northern, for example, has cut its fixed charges 10 million dollars, which amounts to about $4 a share. They have cut their debt 55%. I see no reason why Great Northern, for the foreseeable future, cannot become a regular dividend-paying stock the same as C.&O., Pa., and U.P. Even before the collapse in railroad credit, Atchison had a good capitalization, yet since 1939 they have cut their fixed charges 34%. I see no reason in the foreseeable future why Atchison can't maintain a $6 dividend, and at 90 it yields almost 6.60%.

The Dividend Factor

The next group in the Dow Jones averages includes New York Central, Northern Pacific, Southern Pacific, Southern Railroad, Atlantic Coast Line, and D.&H. Those are the stocks that are now on a dividend-paying basis. Those are the stocks, incidentally, which in 1943 earned $10 a share and paid an average of only $1 a share. They were cleaning up their house by buying bonds. They were spending all their money to improve their financial condition at the expense of the stockholders. **The stock market unfortunately recognizes dividends more than any other one particular factor, and if these railroads had paid out $7.50, they would have sold probably twice or three times as high as they are now selling. If that situation had happened they would have been war babies. But they didn't do that.**

Take the non-dividend group of stocks. In 1943 they earned about $11 a year and paid nothing. All the money went to debt reduction and for other purposes in order to improve their credit.

Dividends determine to a great extent where stocks sell. It will determine rail stock prices to a considerable extent after this period, and after the bond recovery has been complete.

In the period, for example, from 1937 to 1943, industrials earned about $68 and paid out $50. They paid out about 73%. The railroads earned $40 and paid $10. They paid out 25%. That represents about 2 billion dollars for the 20 rails in the Dow Jones average. In other words, if the railroads had paid out as much as the industrials, the railroad stockholders during the war would have received about 2 billion dollars in dividends. Instead, 2 billion dollars was used to buy bonds in the open market and to improve their plant. **But nevertheless, the way the stock market recognizes things, if they had paid that 2 billion dollars, Southern Pacific, for example, would probably have sold up to 150, paying $15, and then it would have been a war baby.** But it didn't do that. Southern Pacific earned about $70 and gave the stockholders about $4. As a result, the stock sells in the low 40's.

Effects of Debt Reductions

This $65 equity which has been built up makes the Southern Pacific worth more for the future than it would have been if they used it currently. In my opinion, using that group of stocks, Atchison and Great Northern will go up into that regular dividend-paying group and the rest will follow along as they solve their bond problem and their credit problem.

The war gave the railroads war earnings. Ninety per cent. of those war earnings were used to retire bonds and to build up the railroad plant. There is the first factor in the financial change, the difference between the railroads in 1946 and the railroads in 1938.

The second thing is the reorganization of 37 of them, which completely solved their financial problem. With the exception of Norfolk and Western, the new Chicago North Western has now the best capitalization of any railroad in the United States.

The third factor is money rates. The utilities got the advantage of it for a long time. Now the rails are starting to get the advantage of it. Not far back, you remember, we had Great Northern 6's, 5's, 5½'s and, yesterday, 3⅛.

In order to understand this drastic and dramatic change in the financial setup of railroads—there are so many of them, 137 altogether—I cut them down to 41, and they do 88% of all the business in this country.

Of that number 14 of them retained their credit all through the depression, illustrated by Pennsylvania and C.&O. Thirteen of them became borderline, illustrated by Southern Pacific, Illinois Central, and 14 of them fell by the wayside—Missouri Pacific, Northwest, St. Paul, to illustrate.

During this period, the 14 have been reorganized. The fixed charges have been cut 75%. The stocks were wiped out. The borderlines have reduced their fixed charges in the open market. For example, Nickle Plate reduced its fixed charges in the open market first by about 40%, and then through refunding they reduced it another 20%, or the overall reductions of about 50%. The good ones continued to reduce their fixed charges. For example, Great Northern reduced over 50%.

I think it is a little bit easier to see it if I reduce it to dollars. These 14 roads which did about 36% of all the business, had fixed charges of 158 million, and they successfully carried those fixed charges. The next group, the borderline group, attempted to carry fixed charges of 189 million. The bankrupt carriers, 175 million. Yet the bankrupt carriers only did 23% of the business, and the borderlines 26%.

Without being an analyst you can see the relation of gross to debt. The best ones had the most gross and had the least debt. That of course has switched now so that the 14 doing 23% of the business now have practically no debt.

As I said before, the rails had about 10½ billion dollars worth of debt. As of January 1 of this year, there was about $8,900,000,000 outstanding. Most of this is listed on the New York Stock Exchange.

These good credit railroads, illustrated by the Pennsylvania and Union Pacific, carried $2,100,000,000 of that debt. The bankrupt carriers tried to carry $2,700,000 and the borderlines about the same amount.

If you are an institution and you want to buy railroad bonds, in 1930 you had $10½ billions to choose from. You are not allowed to buy defaulted bonds. That is why the great opportunity is for individuals. You have no competition from the great money interests of this country, trustees, fiduciaries, banks, insurance companies, and the like. They cannot buy defaulted bonds. As of January 1, there were $2,700,000,000 defaulted bonds listed on the board. They cannot be bought by any institution. They cannot be judged, marketwise, by any institutions, because they can't affect the market, except by selling, and generally speaking, they have sold and these defaulted bonds are now held by the public.

The borderlines, $2,700,000,000, sold at an average of 46 in 1942. With four exceptions: Illinois Central, New York Central, and Lehigh Valley, and Missouri, Kansas and Texas, every bond out of that group is now selling at the call price.

Who Purchases Defaulted Bonds?

As far as individuals are concerned, there is not much choice except defaulted bonds, because most all the other bonds are selling at the call price or a 3% basis. There is no money to be made in bonds selling at the call price. It's a one-way street, it can only go down. It can never go up.

The same thing is true with the institutions. Whereas at one time they had a choice of $10½ billions of bonds, they automatically lost $2,700,000,000, because they can't buy defaulted bonds. Therefore, they have no choice but a 3% yield.

So far as quantity is concerned, this change in reorganization has reduced the available amount of bonds for institutions by about one-third. Every day we see this refunding, you see cuts in debt,

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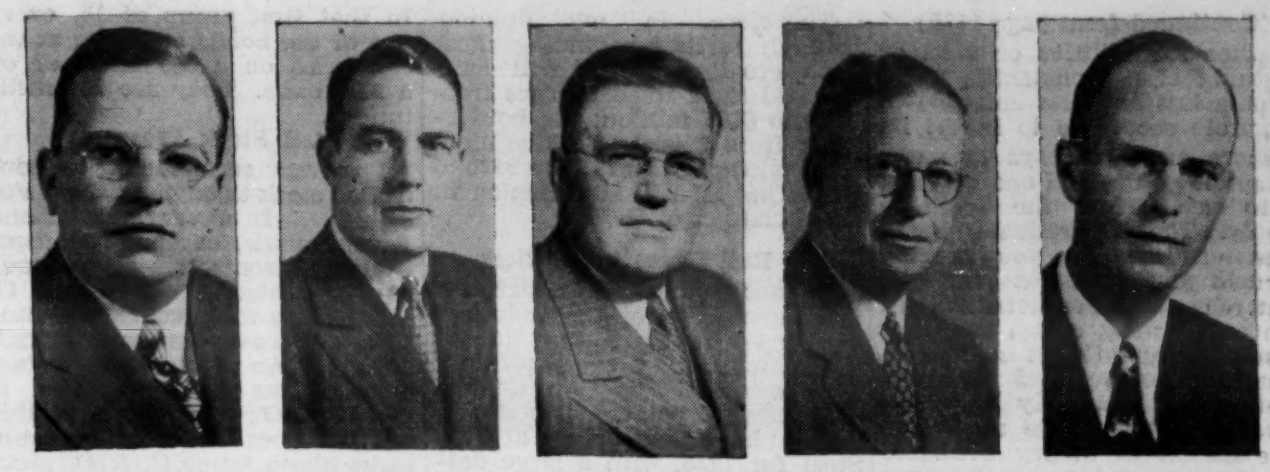

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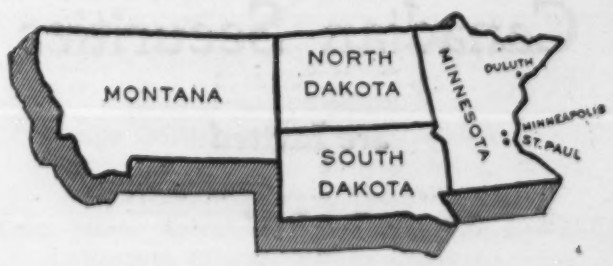

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Railroads in Peacetime

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whether it's utilities or rails or anything else. Constantly, there become less and less amounts of corporate securities to invest in.

There are two ways to make a market go up, and one of them is to cut half of the available supply. That is gradually being done in railroads. As you see these refundings, like Great Northern yesterday, and Southern Pacific, which is coming along, each one involves a further cut in debt, so the supply of railroad corporate securities is gradually becoming less. And yet, as we all know, the amount of money available for investment becomes tremendous every twenty-four hours.

Now that the patriotic motive for investing in government bonds is over, I think that there will be a further search made for corporate yields. In some of the railroads, there is still sufficient yield to attract that kind of buying. During this period these good railroads have reduced their fixed charges from $158 millions to $118 million. The borderline railroads have reduced theirs from $190 million to $148 million; and the bankrupt carriers, in their reorganization, from $176 million to $54 million. When you add up that reduction, it adds up to 204 million dollars. Capitalize 200 million dollars at 4%. That is 5 billion dollars. Two hundred million dollars is 4% on 5 billion. Most railroad debt was pretty close to a 4% coupon. You are going to lose the equivalent of 5 billion railroad bonds; but the process still continues. Refunding will bring it down further.

Therefore, in my opinion, through further refunding these good credit railroads will have reduced their fixed charges from $158 to $107 million; the borderlines from $190 to $130 million; the bankrupt carriers from $176 to $40. That is a total reduction in fixed charges of 50%.

No Rail Operating Deficits

I want you to remember one thing about the railroad industry: They never operated at a deficit. The worst year we ever had, 1938, they made 500 million dollars. They never operated at a deficit All you have to do is look at U. S. Steel for 1938, with a large deficit.

The rail fixed charges are not something we are dreaming about. They are actual. All you have to do is wait for the reorganization to go through. Their actual fixed charges will be down to 280 million dollars, therefore if we ever go back to 1938 we will cover them better than twice, which is as good as the utilities did during that period.

Of the 14 good credit railroads, what is cheap? There are no bonds selling below the call price. Mentioning those for the record, they are Pennsylvania; Atchison; Union Pacific; C. & O.; Great Northern; Norfolk & Western; Louisville Nashville; Chicago, Burlington & Quincy; Reading; Texas Pacific; Pittsburgh and Lake Erie; Duluth, Missabe & Iron Range; Elgin, Joliet & Eastern, and Virginian.

I am trying to cover this afternoon all the railroads in which most people have any interest. In that first group of 14, every one of the bonds is selling at the call price on a 3% basis, or on a 2.90 basis. They are for institutions.

Rail Stock Prospects

I never recommend a controlled stock to any audience. For example, I never recommend Texas Pacific, because it is controlled by somebody else. Reading is controlled by B. & O. Eliminating those controlled situations, it leaves us seven stocks. Among those seven stocks, in my opinion, the cheapest stock is the C. & O., particularly if this merger goes through, because under those terms C. & O. picks up a tremendous leverage which it never had before. C. & O. is known as a stable stock. It doesn't go up much, it doesn't go down much. For the first time, tremendous leverage will be introduced into C. & O. stock if that deal goes through.

Now the stock pays $3.50, and with the Pittston dividend, the equivalent of about $4, selling at 50; you can't get that yield in any good industrial stock. With that added leverage, in that group my preference would be C. & O. It is rather difficult to pick after that. You know all the stocks. I think they will all go to a 5% basis. On Pennsylvania, for example, that would mean going from 35 to 50. On Atchison it would mean going from 90 to 120. Union Pacific is the only railroad stock on a 5% basis. C. & O. would then sell pretty close to 80. It would mean that Great Northern would sell at 80, on a 5% yield, with a $4 basis. L. & N. would be the same way.

So much for that group. In the group of 13, which I formerly called borderline roads, they include Southern Pacific, New York Central, Illinois Central, Southern Railroad, Northern Pacific, Atlantic Coast Line, Nickel Plate, Pere Marquette, D. & H., Boston Baine, D. L. & W., L. V., and M. K. T. Among that group all the bonds are selling at par with the exception of three or four obligations of the New York Central, and two or three bonds of the Illinois Central, which are selling in the high 80's.

Then there are the three special situations, the M. K. & T., the Lehigh Valley and D. L. & W.

Recommended Bonds and Stocks

In that entire group of borderline bonds—and I am covering the entire industry now—there are only three choices: Missouri, Kansas & Texas, Lehigh Valley and D. L. & W. Out of that group, the bonds that I recommend are the Morris & Essex 4½'s and 5's, which are now a direct obligation of the D. L. & W.; and the Lehigh Valley bonds which are selling in the 50's. I think the Morris & Essex bonds are selling in the low 70's. I choose the Lehigh Valley bonds on the theory that the worst that can happen is the McLaughlin Act, where you would get income bonds, and they would not sell at 50, they would sell higher than 50. The Katie has reduced its fixed debt about 40%, and I think will continue to do so, so that somewhere along the line they should command much higher prices.

In stocks of that group, my favorite is the Atlantic Coast Line. Atlantic Coast Line is selling at about 64. There is one share of L. & N. behind each share of Coast Line. L. & N., I think, is selling around 58. In effect you are paying about $6 a share for the Atlantic Coast Line. The stock is paying $4. I think the dividends from the railroad will appear next year. They are paying no dividend now from the railroad. They are simply passing on to you the L. & N. dividend. Coast Line has retired all its callable bonds, and they also retired millions of preferred stock of another railroad which they guaranteed. They have no callable bonds. Last year they earned around $10 a share after excess profits taxes, of $38.00 a share. In that group AX is my particular favorite.

Following that is Southern Pacific. After this refunding Southern Pacific's debt will have been reduced by about 35%, and as they go on to refund the other bonds, they will eventually, I think, get it down to 50%. On that basis I see no reason why Southern Pacific can't remain a $4 dividend payer, with a tremendous carry-over of excess profits to absorb the loss in gross as inevitably must come with the ending of the Jap war.

In that group my next choice is Northern Pacific, with somewhat of a question mark, because their financing comes up September 6, and I assume it will be successful. If it is successful, I think Northern Pacific will sell, within six months, or eight months, with Great Northern, where it always used to sell.

Great Northern has reduced their fixed charges by 50%, but in doing so they diluted the stock. If this Northern Pacific financing is successful, they will have reduced their fixed charges—you know they are retiring 6's—by about 30% but with no dilution of the stock.

Therefore, we get in the last group, the bankrupt carriers, which has always been my particular field. They are in bankruptcy, so they have no fear of bankruptcy, as we did in the borderlines at one time.

The B. & O. Bonds

Without any hesitation, the cheapest bond, in my opinion, and the ones with the best timing, among those that are actually issued, are the B.&O. obligations. Specifically, the B.&O. 4½ of 60, which closed yesterday around 64½, the common stock which sells around 20, and the preferred stock which sells around 31. The B.&O. is our fourth largest railroad. Their fixed charges amounted to about 34 million dollars at the height. During the war they bought in over 100 million dollars worth of bonds in the open market and retired them, and reduced their charges to 25 million dollars. They are now in bankruptcy under Chapter 15 of the Bankruptcy Act, commonly known as the "McLaughlin Act."

They proposed a plan to the Commission which reduces the fixed charges from the now existing 25 million, down to 16 million, the difference between 16 and 25 being represented by contingent income charges. The plan has been approved by the ICC unanimously, and under the Supreme Court decision in the St. Paul case, no court can interfere with an ICC decision unless it can be demonstrated to the court that there has not been sufficient evidence taken or sufficient weight given to such evidence.

The B.&O. plan comes before the court for hearing on September 17, and in my opinion the court will approve the plan and it will become effective. They should be out of bankruptcy by the end of the year. The B.&O., therefore will have reduced their fixed charges from 34 million to 16 million, a reduction of 50%. The worst year the B.&O. ever had was in 1938, when they earned about 19 million dollars. In every other year, however, they earned over 30 million dollars. For example, in 1942—it doesn't mean much, because it was a war year—they earned 76 million dollars, and last year around 50 million. But in a typical year, as I see it, in the future, with normal tax of 50%, and no excess profits tax, the B.&O. can earn 35 million dollars.

That is step No. 1; that is, getting the war money to buy bonds, which they did. The next was to get the fixed charges down where they were bankruptcy proof, which they have done through this plan. What is the third step? Every B.&O. bond, with minor exceptions, is callable. We are certainly going to have low money rates for a long time, long enough certainly for all the railroads to refund their debt.

That will be the next step. Their average coupon now is 5%. If the B.&O. refunds as 3's, their overall charges will be reduced to 16 million from 34 million dollars.

Obviously, that is going to have some effect on the stock, the same as it did on D.&H., Nickel Plate and all the rest of them. In my opinion, when that happens, and if it happens, the preferred stock will sell up in the high 60's, the same as Southern Railroad preferred now sells, and the common stock, even before it goes back on a dividend basis, should sell between 25 and 40.

Therefore, among this group the B.&O., I think, for those reasons, is the cheapest situation. Just to mention it again, the EPT plus the overtime was $18 a share on B.&O. last year.

"When Issued Securities"

On the when issued securities—all these when issued securities are over the counter. Almost without exception, all of these income bonds that are being created are better bonds than the fixed obligations of Great Northern or Southern Pacific or L.&N. It will take some time for the market to recognize that.

I said to you in 1942 when Wabash incomes were 46 that they were going to par. They are today at 94. Erie's were 43, and before this market broke they were 101¾. The cheapest income bond traded today is the St. Paul Series B income 4½s, which are

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selling at about 80, and which carry two years back interest. So they are selling at the equivalent of 71. I predict to you that within a year after the St. Paul is reorganized, those bonds will be selling at par.

The second choice in the when issued bonds is Rock Island, Income 4½s, which are selling at 94, with 9 points accumulation, or the equivalent of 85. The Rock Island is an 8,000-mile railroad, does about the same gross, for example, as L. & N. The ICC, allowed them only 29 million dollars worth of the first mortgage 4% bonds on an 8,000-mile railroad. You can't buy the tie plates for that amount of money.

Obviously, we think the L. & N. bonds are good bonds selling on a 2.80 basis. The Rock Island does about the same gross, but the L. & N. carries a debt of 267 million dollars. Rock Island first mortgage bonds are callable at 105. They will be called and refunded probably as 3's within six months after the reorganization. The total debt of Rock Island is less than $100 millions, and yet you can still buy the Rock Island income bonds at the equivalent of 85.

There are three other income bonds now traded: Frisco incomes, which trade without accumulations, at 82; the Denver incomes, the lowest-priced income bonds, which sell at 72, with three years accumulation, which is the equivalent of 58½; and the Seaboard incomes, which sell at 70, with no accumulations. Those five bonds all trade over the counter, and in my opinion within six months after their reorganization they will sell close to par.

Preferred Stocks

The cheapest preferred stock that we have created through any of these reorganizations is Seaboard 5% preferred, which is selling at 60. There are only 150,000 shares outstanding, and it has the greatest leverage. In other words, I predict a year like 1941, which means a decrease in gross of about 50% from present levels, that Seaboard preferred stock will show substantial earnings per share. Incidentally, that stock sold as high as 80 this year, and because they moved the date of the plan up so that the money went to the old bond holders rather than to the new, it went down 20 points.

My other choice in the preferreds in that group that we are now trading when issued is the Rock Island, which is selling at 72 but which carries $10 accumulation, or the equivalent of 62. Rock Island preferred is just as good a preferred as Atchison preferred, and will demonstrate this, marketwise, I think within six or seven months after its reorganization.

Among the when issued commons which we are now trading when issued, the one which I think particularly stands out is Rock Island new common stock which is selling around 34, 35.

In my opinion the Rock Island will be run by and for the stockholders. I don't mean at the expense of the public or anything like that, but I mean I don't think there will be any creditors running the Rock Island. It has the leverage, it is the most severe reorganization we have had. Even after paying out 34 million dollars worth of cash, which they are going to do within 20 or 25 days, they will still start the new corporation some time next year with a net working capital of over 50 million, and close to 60 million dollars in cash. The Rock Island last year paid excess profits tax and overtime equivalent to $26 a share, on the new stock.

Defaulted Bonds

Among the defaulted bonds, the old bonds as we call them, I would be inconsistent to recommend the Rock Island new securities most highly, without recommending the old securities as being the ones with the largest leverage.

Whatever you think of the market, if you can in some way create something for nothing, you are accomplishing something for yourself. Today, for example, Rock Island, refunding 4's of 34, are selling at about 64. Including the cash of $102 which you will get within a month, and including the cash accruals for these two years, if you hold that bond until consummation, the $1,000 bond which cost you $640, you will get back around $175 in cash.

Let's assume that you believe as I do, that Rock Island common stocks in the future will sell with Atchison. How can you create that stock cheap? If you use prices of 105 for the first mortgage bonds, and par for the income bonds and 80 for the preferred, and after consummation or shortly thereafter, those prices are realized, and you sell the first mortgage bonds, the income bonds and the preferred, you will get back $495.

In addition, however, that bond gives you 5¼ shares of common stock. So through that process, you would have made $30 in cash, and have 5¼ shares of the new common stock of Rock Island, which would cost you nothing. You can do the same thing, if you are more conservative, by creating the preferred for nothing, or the first mortgage bonds, or the income bonds by selling the other three, and in each case receive cash. That is different, as you know, from an arbitrage. Right now the arbitrage in Rock Island is about 12%. That is, if you buy the old and sell the new.

My second choice in defaulted bonds is the Chicago Alton 3's. As most of you know, there is no opposition to this plan. I think we will get the approval from the ICC within two weeks, and we will then start trading "when issued" in the new income bonds, and the new Gulf Mobile & Ohio stocks. The Alton 3's are today selling at about $500. You get a $500 income bond of the Gulf Mobile & Ohio, which in my opinion will sell at par six months after they are issued. In addition, you get 7¼ shares of stock. Stock closed yesterday at 23. The 7¼ shares of stock would cost you nothing. That is my second choice. I think it will become a great trunk line system. I think it eventually should sell at at least $40 a share.

I am not going to bother you with the details, but to add two more defaulted bonds, the next choices would be the Denver 4's of 1936, which are currently selling at 62, and the Frisco 4's at 1950 which are selling at about 55.

To go back to the B. & O. for just a second, we happened to be reading in the Journal of Commerce yesterday that the B. & O. is our seventh largest industrial corporation, with assets of $1,325,000,000, has a debt of $571,000,000. The market value of the preferred is 17 million, and the market value of the common is 50 million. If all the bonds were selling at par, and those bonds that I recommended closed at 64½, you would have a market value for this $1,325,000,000 corporation of about $630,000,000, or less than half of the asset value.

Conclusion

To conclude, I have always found that if you are in an unpopular situation in the securities market, and you have sufficient patience, you usually make out better than if you run with the crowd all the time. You have seen the crowd running with this stock or that stock or that group of stocks, and if you are very clever perhaps you can make money on them. But in any event, in Wall Street, what the crowd wants has never established quality. From the past, you know my comments about the rating system. I have always said that the ratings follow prices, and therefore are of little value in predicting the future.

The Chicago Northwest generals in 1930 were selling at 95 as 4's. They were triple A. When they sold at 10, they were C. Where was the value? The value was at the 10, not at par. But the ratings followed the prices down. Do you know what they are rated now? Single A, as 3's, at 104. In other words, high prices don't necessarily mean high grade.

The corollary to that must obviously be that low prices cannot necessarily mean low grade.

Another thing is that information is not judgment. When Nickel Plate notes were selling at $10 apiece, which they did, what you wanted to know, then, was what were they worth? You wanted to have somebody tell you that they were going to pay them off three or four years from now, which they did.

In other words, all the facts and figures up to a point are only information. I have as much information about railroad bonds, I think, as any man; but what good is it unless you forecast with it? That is all you fellows do in the securities market. No matter what business you are in, whether you are in municipals or rails or governments, you are predicting the future every time you buy a bond or stock.

If it was purely based on information it wouldn't mean a thing, because on top of your information you must arrive at a judgment, and your judgment comes from the information, plus your experience; to produce some knowledge of a subject, so that you may convince yourself and then your client that things are going to happen. That is the way capital appreciation has always been made, whether it was in the pioneering days or now.

I have always tried to point out to you value at a discount, and I still think it exists in rails relative to your choice in industrials and in utilities. The yield is there, in a great many cases the market appreciation is still there. It is what I try to call "value at a discount." The corollary is creating something for nothing—to my mind there is very little difference between investment and speculation. **Webster defines speculation as an enlightened attempt to forecast. What is investment?** If you constantly invest in high-grade bonds, corporate bonds, at the call price or above, you must be 100% because you have no opportunity of creating a reserve. If you buy value at a discount and your judgment is correct, you can be wrong once in a while and still have a reserve for those mistakes.

On this occasion, and on the others, I have tried to bring you the benefits of my experience and what information I have about the rails, and to give you my forecasts, which I have done this afternoon. I am pleased that the Association chose to have me again talk on rails.

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Educational Committee Report

(Continued from page 1083)

requisites as to previous education or experience should be established. Also that a suitable certificate signifying that one has successfully completed such a course should be established.

It is my belief that such a program is necessary to bring new blood into the trading phase of our business. I believe a course offered under the supervision of an Educational Chairman in each local affiliate and with a specialist in each particular subdivision doing the actual lecturing and leading the accompanying discussion would be quite successful.

These latter points are for you gentlemen to discuss and draw some conclusions therefrom.

It has been a pleasure to work with the Officers of the NSTA and I only regret that I cannot report completion of what I believe to be my assignment.

Respectfully Submitted,

Paul I. Moreland, Chairman,
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Wartime Operations and Peacetime Future Of the Coal Industry

(Continued from page 1081)

While coal reserves appear impressive in volume, it does not follow that all of the potential 3.2 trillion net tons of coal is recoverable at the present state of the art or of sufficient quality to be commercially usable. The United States Coal Commission and the United States Bureau of Mines have estimated that shrinkages incurred in mining, handling and preparation of coal amount to approximately 35% of the total coal mined. This figure is generally accepted as typical for the industry as a whole although in many mining operations it is found that approximately half a ton of coal is consumed for power, discarded in grading, or lost because of uneconomic geological formations and other reasons, for each marketable ton. Possibly 2 trillion tons of the estimated coal reserves in this country may be available for productive use.

Trend of Bituminous Production

The economic history of coal is one of seeming contradictions. Despite its fundamental importance to industry, coal had lost ground for several years prior to the period of expanding business activity induced by the War. In fact, many individual mines operated at a loss throughout most of the decade of the 30's. Competition resulting from the increased use of fuel oil and natural gas was an important reason for this decline, although general business conditions probably had a more definable effect.

For the five-year period ending in 1925, bituminous production averaged approximately 481 million tons, in the next four years, the average was more than 500 million tons, but in 1931, it fell to approximately 382 millions. The industrial activity of 1937 was reflected in the relatively high output of 445 million tons, but it was not until 1940 that the industry began to march to new high records.

The current gain in production bears a significant resemblance to the pattern of activity which characterized the first World War. In 1915, bituminous production amounted to 443 million tons, rose to 503 million tons the following year, and in 1917 advanced to 552 million tons. Within another year, the output stood at 579 million tons, an increase over 1915 of 30.7%. From 1940 to 1944, output advanced approximately the same.

Despite the record bituminous output of 1944, consumption was 33 million tons greater, the deficit being taken from surplus stocks. Domestic consumption alone was 595 million tons last year, but estimated exports totaled approximately 27 million tons, an aggregate consumption of 622 million tons.

The depletion of the nation's soft coal stockpiles brought reserves down to a new low of 56,692,000 tons, or thirty days' supply as of January 1, 1945. This compares with reserves of 60,079,000 tons at the beginning of the previous month, the equivalent of thirty-six days' supply. It is likely that the 620 million tons mined in 1944 marked the culmination of the recovery which got under way in 1939 when war broke out in Europe. Since then the rise has been steady each year showing an increase over its predecessor, as the war need for fuel mounted. But the indications are that 1944 marked the climax.

Former World War Operations

During these two periods, however, the increased output was accomplished by radically differing methods. In the first World War, the expansion was achieved through the opening of a large number of new mines as well as by increased employment. Bituminous mines increased in number from 5,776 in 1931 to 8,994 in 1919, an advance of almost 56%. As war demands were reduced, this excess capacity which had been built up proved to be a serious burden to the industry, particularly when it collided with the aggressive competition offered by fuel oil and natural gas.

In the second World War, expanding production has been gained through further mechanization of the coal mines, an increase in the length of the work week and by an increase in the number of small mines. The number of mines in the years preceding our declaration of war showed little variation with the exception of the declines noted in 1938 and 1939. In 1941, there were 6,822 mines, an advance of 17.2% over 1939. Little change has taken place subsequently.

Technical Improvements Noted

Another dramatic change in conditions during the two wars is revealed in the fuel value of bituminous coal to the consumer. Substantial improvements have been made by the introduction of mechanical cleaning, a technique which was virtually undeveloped at the time of the first World War. In 1942, an estimated 145 million tons of bituminous coal were mechanically cleaned, 25% of the total output of that year. Fifteen years previously, only 5.3% of all coal was cleaned mechanically.

Fuel value has also been increased as the result of progress in mechanical cleaning and combustion efficiency. Electric utilities, for example, needed 3.22 pounds of bituminous coal to produce one kilowatt hour in 1919, but in 1941, this had been reduced to 1.34 pounds. The railroads needed 164 pounds of coal to haul a ton of freight one thousand miles, as compared with 111 tons in 1941. Fuel per passenger car mile was reduced from 18.1 pounds to 14.9 and enormous savings were made in by-product coking and in the iron and steel industry.

Increased combustion efficiency, according to estimates in the trade, saved the equivalent of more than 100 million tons of bituminous coal in 1942, as compared with 1918. While further progress is now being retarded by wartime shortages of labor and steel, it is obvious that additional progress can be made in this field after the war.

In the middle 20's, less than 2% of total underground production of bituminous was handled by mechanical loading methods as compared with 31% 15 years later. Progress has been rapid since the inception of the war production program, with loading machines advancing from 1,573 in 1939 to 3,225 in 1944. In the latter year, more than 46% of the total underground output was loaded mechanically. Improvements have also been made in drilling equipment, in mechanical cutting, conveying facilities, and mechanical cleansing plants; and electrical equipment for use in strip mining is being more widely adopted.

Coke and Other By-Products

Coke, outstanding by-product of bituminous coal, is produced either in modern retort ovens which capture the gases — and which in turn produce many valuable by-products — or beehive ovens from which the gases escape. Beehive ovens have been brought back into use because of the current great demand for coke; their operation will doubtless be largely discontinued after the war.

Most of the coke produced in the United States is used in blast furnaces for the manufacture of iron and steel, although a small amount is used for domestic heating. Output, naturally governed by the demands of the steel industry, has reached new high levels, production for the year 1944 being estimated at 73,618,000 tons, as compared with 48 million tons in 1930. The 1945 production goal is approximately the same as last year.

Another by-product of coal carbonization is gas, which amounts to 10,000 cubic feet per ton of coal carbonized. In addition, two or three gallons of light oil are normally obtained from the same coal, 10 to 13 gallons of tar, and 22 to 27 pounds of ammonium sulphate. Heat for the coke ovens takes approximately one-half of the gas and the remainder is generally utilized in nearby steel plants or distributed in city gas lines.

These by-products are of direct importance to the war effort. Benzol, our only source of styrene —important constituent of synthetic rubber—is derived from the light oil. Picric acid, used in the manufacture or explosives, in turn, is derived from benzol. Benzol is also converted to phenol (carbolic acid), vital element to the plastic industry.

Competition

The relative dependence of industry on bituminous coal as a source of power has been considerably reduced since World War I. Because of greater efficiency in utilization, consumption has declined sharply. This factor has contributed importantly to the secular loss in tonnage, although it has strengthened the competitive position of coal in existing markets.

In addition, the development of substitute fuels possessing either price, efficiency, or convenience advantages has resulted in a substantial permanent loss of markets. This is evidenced by the fact that, while coal (principally bituminous) supplied 80% of the country's energy requirements in 1916-20, the proportion was only 49% in 1940. In the same period, the proportion supplied by oil almost tripled, to 30% in 1940. War factors have temporarily reversed this trend.

One advantage held by soft coal over competing fuels is the fact that known reserves are ample for around a thousand years at the present rate of consumption, assuming a wastage factor of 35%. Known reserves of oil, natural gas and anthracite, on the other hand, are adequate for only about 14, 32 and 160 years respectively, although total reserves are doubtless much larger.

Inroads of Other Fuels

Petroleum, the principal competitor, has made its inroads both directly through the substitution of fuel oil for coal in the generation of power and heat, and indirectly through the replacement of coal-burning transportation equipment by trucks and diesel engines. In the encroachment of oil on coal markets, the price factor has been the prime determinant. In this connection, the importance of geographical location must be emphasized, because of its effect on actual delivered costs.

The position of soft coal has been substantially strengthened during the war by expanded fuel requirements and oil shortages, the latter as reflected in widespread conversion of oil burning equipment to coal. Renewed pressure from this competing fuel will be witnessed in the post-war period, particularly for domestic heating, which is in a secular uptrend. Nevertheless, part of the wartime gains should be retained, in view of the possible rise in oil prices and limited supplies of fuel oil resulting from concentration of oil producers on the more profitable gasoline. Evidence of this is seen in the trend toward the installation of equipment capable of burning either oil or coal as the price and supply situation dictate.

While a less important competitor of coal than petroleum, natural gas has made notable progress since the early 1920s, although installation costs are somewhat higher, and natural gas, on average, costs more than coal. However, the average price of natural gas declined between 1932 and 1944, while that of other fuels has increased. In addition, natural gas has a high heat delivery efficiency and is easier to handle. The war has tremendously stimulated the development of this industry, particularly its industrial load, which accounted for over half of total natural gas volume in 1943 and 1944. Substantial gains in residential sales are anticipated after the war. Territorial expansion into new markets will be encouraged by the wartime construction of new pipe lines, and further competitive gains are likely in the future.

Increasing sale of electricity has meant new records in the consumption of coal for its production, despite the growth in hydroelectric facilities. However, since the latter are fully utilized even in periods of minimum demand, their construction represents a permanent loss for coal.

Capacity

Despite the fact that a high level of operations is possible during periods of generally satisfactory industrial activity, huge reserves of soft coal have resulted in an almost constant condition of excessive capacity. The peak was reached in 1923, when 9,331 bituminous mines in this country had an estimated annual capacity of 970,000,000 tons; actual output in that year was 565,000,000 tons.

The long-term decline in capacity since 1923 reflects not only abandonment of mines but also a reduction in miners' working hours. Based on the 35-hour, five-day week in effect in 1942, estimated production of 580,000,000 tons represented virtual capacity operations. Extension of the work period to a six-day week, eight and three quarters hours daily (including travel time), has increased capacity to a level sufficient to fill estimated coal requirements for 1945 were it not for continued labor losses.

The bituminous industry is attempting to avoid the tremendous overexpansion that characterized World War I, by increasing capacity temporarily through extension of the work week and establishment of low-cost strip operations involving a small investment, rather than by sinking new shaft mines. However, once present abnormally high wartime demand for coal has subsided, a condition of excessive capacity will again exist, despite the reduction of working time. This factor, particularly in view of the potential increase which could be effected by bringing more mines into production in a period of high prices, constitutes a constant threat to the maintenance of a satisfactory price structure in the absence of Government regulation.

Geographical Divisions

The center of coal production shifted southward between 1913

(Continued on page 1139)

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Wartime Operations and Peacetime Future Of the Coal Industry

(Continued from page 1138)

and 1928, with mines in southern West Virginia and eastern Kentucky gaining tonnage at the expense of those in Pennsylvania, Ohio and Illinois. This shift reflected the lower cost and superior quality of southern coal as well as more favorable through freight rates.

Although the trend has continued in subsequent years, unionization of virtually the entire industry, together wth loss of half of the wage differential in 1933 and the rest in 1941, has resulted in a progressive slackening in the rate of shift. With the southern mines already highly mechanized, little more can be done to raise efficiency to offset the loss of the wage differential and, under normal conditions, this will probably tend to check relative expansion in this section of the industry.

Federal Regulation

The wasteful competition in the industry has led to repeated attempts to regulate bituminous coal production and sale. Two such efforts failed when the NRA and the first Guffey Coal Control Act were invalidated by the Supreme Court.

In 1937, however, the Guffey-Vinson Act was passed; it was extended for two years in 1941. This measure empowered the Bituminous Coal Division of the Department of the Interior to establish and maintain coal prices and minimum wage rates. To cover the cost of regulation, a tax of one cent a ton was levied on all producers.

Dividing the country into 23 producing districts and 10 price areas, regulatory authorities determined minimum prices at the mine on the basis of average weighted costs for producing coal in each area; minimum prices were set in October, 1940, and the first upward revision was made late in 1942.

To permit individual producers to maintain their markets, certain adjustments for transportation costs were provided, and, in addition, a Consumers' Counsel was set up to protect consumers against unduly sharp price advances. Any change in operating costs exceeding 2 cents a ton called for reconsideration of minimum coal prices previously set.

The act finally expired on August 23, 1943, after two short extensions. The administrative functions of the Bituminous Coal Division pertinent to the war effort have since been taken over jointly by the Solid Fuels Administration and the OPA.

Since prices during the present period of abnormally high demand generally are at maximum rather than minimum levels, the need for an act of this type is not immediate. However, a period of severe competition is likely after the war, and the absence of minimum price controls might well result in a repetition of the chaotic conditions that harassed the industry following the last war. In view of these possibilities, several bills embodying the essential features of the original act and of the substitute bill which gained the late President Roosevelt's approval but died in Committee during the last Congress, have been introduced during the current session. Passage over the near term, however, appears doubtful.

High Labor Cost

Mine labor accounts for over 50% of the production cost of bituminous coal. Thus, the rise in labor costs in line with growing unionization has had a marked effect on total costs.

Increases in basic wage rates totaling $2.40 and $2.80 a day, depending on location, were received between 1934 and 1941. In addition, the work week was reduced to 5 days in October, 1933, and the work day to 7 hours in April, 1934. These modifications resulted in a daily basic wage rate of $7, which prevailed at the expiration of the union contract in April, 1943.

With the November, 1943, Ickes-Lewis agreement covering Government operation of the mines, payment for travel time was recognized. Supplemental wage agreements, while retaining the basic hourly wage for production time, also provided for payment for travel time at a rate of 66⅔ cents an hour. With average output per worker employed in the mines approximating 5½ tons per day, the per ton labor cost in February, 1945, based on average daily earnings received during the month, totaled $1.65. Overtime payments for all time spent underground beyond 7 hours daily and 35 hours weekly, together with other fringe increases provided in the 1945 wage agreement, are expected to raise this figure.

Transportation Costs

Because of its bulk, the cost of transporting coal from mine to market is the most important element in its price to consumers. Moreover, since bituminous coal is the most important single item hauled by railroads and supplied almost 13% of their freight revenues in 1943, no major change in rates can be made without vitally affecting the railroad industry. One constructive development in 1943 was the action of the ICC rescinding the rate increases of between three and six cents a ton granted raidroads early in 1942.

Prices

Although seasonal variations in demand, labor disturbances, and the availability of railroad cars for transportation affect soft coal prices, the major price determinant is the level of business activity. The rise in labor costs since late 1934 has prevented any important price reductions, such as occurred in the natural gas industry. Moreover, the establishment of minimum prices in October, 1940, carried the average wholesale price to the highest level since February, 1937. Prices have since exceeded their favorable 1923 level, because of advances granted by OPA to offset higher labor costs under the new miners' contract.

The industry is now operating close to the maximum prices set by the OPA and this should be true as long as extraordinary demand continues. However, over a long period, maintenance of prices at levels which afford adequate profit margins for most producers will probably be possible only if Federal price controls are restored and successfully maintained, or alternative fuels come under Government regulation.

Aside from the industry's labor-relations problems coal must cope with other major difficulties in the opinion of Sawards, leading trade journal.

Just about the strongest statement on the importance of coal was made recently by Solid Fuels Administrator Ickes when he said in substance that it was "either coal or anarchy" in Europe. The widespread quoting of this statement, both in the press and on the radio, has tended to focus public attention on the essential part coal plays.

In the last few years the growing use of stories about coal as a source of chemicals and products needed for the manufacture of a multitude of items has shown how much depends upon coal. Senator Wiley of Wisconsin recently stated that, as of 1944, we have exhausted commercial reserves of 95% of our mercury; over 80% of our lead; over 70% of our chromium, tungsten and zinc; 60% of our copper and petroleum, and over 30% of our iron ore. At the annual rate of use for the period 1935-39 tungsten will be exhausted in four years; vanadium in seven years; lead in 12 years; petroleum in 18 years; zinc in 19 years and copper in 34 years. This country is fortunate to have sufficient reserves of bituminous coal to last, at the present rate of production, for about 3,000 years.

Meager Profits

Yet the profits of this industry, so vital to our daily life, are very meager. A few weeks ago at a Congressional hearing it was shown that the profits for the whole vast bituminous industry, before deduction of taxes, was a mere $65,000,000, a figure which was equalled or exceeded by each one of a number of large corporations. The profits for one such concern were over $470,500,000. At the same time it was revealed that at present 40% of the coal of one district is produced at a loss and, out of 225 mines operating thusly, 120 showed losses of over 15 cents per ton. In the same district there were 119 mines with profits, before taxes, of more than 15 cents a ton. However, the profits of one group are certainly no help to their more unfortunate colleagues. Spread over the 620,000,000-ton production of last last year a profit of $65,000,000 averages less than ten and a half cents per ton before taxes are paid. It is very clear that an increase in prices should be authorized to keep operations that are losing money to the minimum.

The comparisons between the profits of the coal industry and single large corporations, as presented to the Congressional committee, clearly showed that coal mining is not a prosperous business. At the same time it was a self-indictment. Prices in effect when OPA came into existence were largely the basis for the limits set. Consequently, for coal to be caught with prices allowing for only small profits, or not enough to cover expenses, is the result of what the industry was charging when there was no Federal control of ceilings.

While the profits for the industry as a whole have been very small for many years it does not mean that is the way all engaged in the business want it run. Rather it denotes there are enough in the trade who fell back upon cut prices, even if they were below cost, as a means of selling coal when there were no Government controls.

Vital and Huge

In addition to the fact that coal mining is a vital industry it is also huge. Moreover, it is really the sum of a number of parts, many of which do not compete with one another. The overall competition comes about through the reflected action of adjoining fields or regions competing for certain tonnage. Consequently, if all individuals controlling sales policies in each field or region would settle down and realize that in internal competition as well as that with adjoining fields a cut in price does not induce a consumer to buy more tonnage than he can use, a better situation on prices would prevail throughout the industry when Government controls are relaxed.

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Wartime Operations and Peacetime Future of the Coal Industry

(Continued from page 1139)

Profits in other industries are on a higher basis, so there is no reason why coal should not improve its position. There would be little difference in the price of a pair of shoes or even a locomotive if the coal consumed in manufacturing these items was sold at a price which allowed the same rate of profit enjoyed by the buyer of the coal. Some might say that would be all right for small consumers but not for large buyers. The annual report for 1944 of a prominent utility does not sustain that argument. After taxes, a net income of $30,374,720 is shown on a total operating revenue of $288,158,280.

Labor has been well treated as far as their rate of compensation is concerned. In fact some take more time off now as they secure the money they want with less work. The funds that make it possible for the miners to have a place where they may go to work for the higher wages are also entitled to a fair rate of compensation.

Admittedly the post-war days will be competitive and coal will want to be prepared for them. Capital, men and management, however, go where attractive opportunities are offered. The margin of profit on coal should be improved.

Coal Trade Conditions in England

Before the war British Coal mines were producing about 228,000,000 tons a year, of which 50,000,000 tons were exported as cargo and as bunkers on foreign-going ships. Up to the time that France was overwhelmed in 1940, production was well maintained and as export trade had, to some extent, been crippled by the occupation of Scandinavian countries and hostilities elsewhere, there was more than sufficient to meet all demands. In fact, just before the middle of 1940 the mines in Britain had been producing as much as 5,000,000 tons per week. If that production had been available in the past year, there would have been no talk of a shortage.

The outstanding event in 1944 was the liberation of the Continent of Europe which threw open the markets to a revival of export coal trade, if such revival had been possible. But it was not possible for two reasons: Britain, whose production had been depleted by the loss of man-power in the coal-fields, did not have enough to supply all that the home market needed and have available at the same time a reasonable export surplus, and secondly, financial considerations and the fact that the military authorities were in control on the Continent prevented a resumption of normal commercial relations.

Britain had previously, in conjunction with the United States, agreed to a wartime division of export trade, the United States taking over the Mediterranean and further afield markets so that British coal might be released to cope with emergency demands from the Continent and other parts of Western Europe.

Roughly, production in 1944 was 190,000,000 tons of deep-mined coal and 10,000,000 tons of open cast or surface coal. As pre-war home consumption was about 180,000,000 tons and open cast coal has an efficiency roughly of 75% of deep-minded grades, it will be apparent that the mines have continued to produce mainly for home consumption. The production position is such that expansion of export trade must continue to be difficult until such time as supplies greatly increase. In the eight months before the war Britain exported goods of all kinds valued at £38,000,000. Coal amounted for £25,400,000 of those millions which shows how vital it is to regain oversea trade. In weight, coal represented three-fourths of export trade.

Like in the United States the present position of the coal industry in Great Britain is causing much concern. National output is at the rate of 185,000,000 tons of deep-mined and exports are about 6,000,000 tons a year as against an average of 54,000,000 tons in 1934-38. Production will have to be increased very considerably before any hope can be entertained of a revival of export markets.

Two big problems face the British coal industry today. There is that of bridging the gap—almost 50,000,000 tons—between present and pre-war production, and bringing prices to a level that will enable export markets to be recovered. The miners' wages are guaranteed until 1949 so that any wage cost economy can only be secured by a better yield per man, largely as a result of increased mechanization, or a cut in costs other than wages by other means. There is concern among shippers at the post-war competitive position. The new Labor Government's policies have become so mixed up with the future of the industry that it is unlikely that there will be any tampering with wages for some years.

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Expanding Post-War Investments

(Continued from page 1073)

standard of living or material betterment?

Will Risk Taking be Stifled?

The answer to these questions will depend on the political philosophy that we shall follow. If "statism" and bureaucratic paternalism prevails, as is threatened in England and other leading European countries, it will merely mean that the old spirit of individual enterprise, which has made the nation the richest and the most democratic in the world, will die. America will not only have "become of age" but it will become effete and senile.

As conditions now stand, there should be after the War a broadening of the field of pecuniary investment. Wealth is more widely distributed among the general population than ever before. Private savings have never reached the high level of the present time. The "common man" is no longer the "poor man". He is not only endowed with more intelligence, more skill and more eagerness to "get up in the world" than ever before, but he wants opportunities to place his savings in profit-making enterprises. In other words, he wants to be a capitalist as well as a worker. There is no better way of breaking down the alleged class distinction between the wage earner and other classes of society than that of giving the wage earner and small professional groups the opportunity to seek to participate in the profits of business and other similar income producing undertakings. This is a form of profit sharing under the capitalistic system. But profit sharing should imply risk taking and possible losses as well as gains.

Role of Security Trader

In this movement, the security trader and security dealer should play an important role. It is his primary function to direct the flow of capital into profitable channels. He, in this respect, may perform two duties. If he acts as an intermediary in the distribution of the ownership of gainful enterprises, he performs the service of a merchant. But if he also acts as an advisor and counselor he may have professional standing, but he cannot be held responsible for the acts of his clients. He should be educated for his task, whether he acts in the capacity of a mere merchant, as a broker or as an investment advisor. But his responsibilities in any of these capacities should not be extended to the point where he should relieve his client of the exercise of his own intelligence and acumen, and certainly should not place his customer in the position of being a "non compos mentis". It is a rule of merchandizing that the customer is allowed to make his own choice. Accordingly the security dealer should not be saddled with the responsibilities of a trustee or guardian in his relations with his customers, neither should he be required to assume the function of an investment advisor.

Effect of Low Interest Rates

There will undoubtedly be a demand for broader opportunities for the investment of funds after the war. The present and prospective low interest rates on existing medium and high grade securities is not very encouraging to one who looks to material betterment from his savings and an opportunity to provide for income in old age or because of possible reduced earning capacity or as a means of retirement.

Any one of moderate means can no longer look to the income or increase in value of his investment holdings as a lucrative "nest egg" to accumulate to the extent of assuring both a better living standard and as a pension when earning capacity is reduced or ceases altogether. An old age pension on a subsistence basis is a poor consolation for an ambitious person who seeks throughout his whole career to enjoy the better things of life.

If we look back to the conditions following the last war on the basis of what happened then, we may surmise that there will be developed new forms of speculative investments. One has only to recall the wide popularity of investment trusts, newly introduced in the American securities market after the last war, as well as to oil royalties, guaranteed mortgage participation certificates, and other similar contrived investment instruments as an example. Some new forms may again come up to attract the populace, though what they may be cannot now be foretold definitely.

Will the Investment Trust Mania Revive?

Let us take, as an example as well as a warning, the investment trust mania of the boom days of the Twenties. Investment trusts were introduced on a large scale at the height of the stock market boom. They soon became popular as an instrument of speculation, though many people purchased them for outright, and what was then believed to be, sound investment. The "shares" of these concerns mostly in small denominations were marketed by salesmen much like peanuts at a circus. They became a veritable "Wall Street hash" served every day, everywhere. Almost every community had its own local investment trusts, fostered and promoted by local financiers and promoters. Although they did not become important until about 1925, according to the late Frank A. Vanderlip, "in six years some 600 investment trusts were organized in the United States, and their aggregate assets involved $5,000,000,000. The first six months of 1929 alone saw $2,400,000,000 worth of investment trust securities offered." The fever was intensified by several New York Stock Exchange concerns, and, because of the questionable character of a few of these, the Exchange as early as 1924 adopted a resolution stating "that participation by a member in the formation or management of an investment trust corporation or similar organization which involves features that do not protect the interests of the investors therein may be held to be an act detrimental to the interests of the Exchange."

Yet with all the unpleasantness relating to the late investment trust mania, their existence was not unwarranted by the conditions of the time and they have persisted and are likely to continue and expand as an instrument for the placement of funds.

It should be noted that the legitimate investment trust is a relatively old and well established investment institution, and has served a useful purpose. It originated on the European continent after the Napoleonic Wars, but received its greatest development in Scotland, when it was introduced as a means of scattering the risk of carrying investments in foreign countries. It was, therefore, an instrument of diversification for the small investor. An individual purchasing the obligations or the shares of an investment trust acquired a beneficial interest in a variety of securities. The selection, of course, was made by skilled bankers or financiers, who fathered the project, frequently as a means of thrift encouragement. The individual investor, therefore, could, through the investment trust, avoid the risk of losing all or a very large part of his capital as might occur, if he acquired outright the obligations or shares of a few concerns. The Scottish and British investment trusts were designed, in most cases, as institutions to promote savings and thrift among people of moderate means by affording them a convenient channel of diversifying investment hazards. If the same motive had prevailed here after the last war, there would not have occurred the scandals that were connected with so many of them.

What of Real Estate Investment?

In addition to the expansion of well regulated investment trusts one may also look for a renewal or expansion of real estate investment under new procedures. This also might be safely accomplished on a large scale, without unsound practices and ruinous results, if carefully managed and supervised under proper restrictions, and under a policy of diversification of commitments. The evils of real estate mortgage investment after the last war need not occur again and although there is a serious risk in all real estate ventures (as in all business), a sound diversification with proper judgment and guidance as to values will serve as a safeguard against speculation excesses. It should not be forgotten that real estate investments have been and will continue to be the mainstay of investment institutions for centuries.

Foreign Investments

Foreign investments, despite the unfavorable experience in this field in the period of the last war may be expected again to find a market among American investors. Theoretically, if we are to remain a creditor nation, there is no escape from it. But this field of investment, as shown by British experience, requires the utmost skill and business acumen and should not be conducted by those who are not equipped to enter upon it or who have not proper guidance. After the last war, many of the foreign loans which were floated in the United States should not have been distributed to the public as investments, but instead should have been carried by capitalists or institutions who were capable of bearing the risks involved. They were not meant for widows and orphans. As stated by Dr. Amos E. Taylor, the Director of the U. S. Bureau of Foreign and Domestic Commerce in a pamphlet issued by the Monetary Standard Inquiry last year:

"It should not be assumed that after the war, the experience in American foreign investment of the Twenties will be repeated

(Continued on page 1141)

Expanding Post-War Investments

(Continued from page 1140)

Under conditions short of sustained world prosperity and strongly established political order and world wide monetary stability it is possibly safe to expect that equity investments will provide the primary medium for international investment. So called "direct" investments imply the usual risks and do not exert the pressure on the exchanges under the unfavorable conditions as do obligations calling by contract for specific annual payments in currency to the creditor."

Education Needed

Perhaps the greatest aid to future investment expansion will be adequate and efficient education in the principles of private finance and investment. Like a trained soldier under proper instruction and guidance, American investors should have full knowledge of the conditions they may have to face when they make their investments. They should be made acquainted with the risks involved and the conditions essential for sound and profitable business operations. The prime motive of all private business undertakings is profit. The elements making for profits and the conditions that may cause losses should be made plain to all who invest their funds for income purposes. All this requires not only intelligence but knowledge and instruction. Those engaged in the business of placing investments among the people have the responsibility not only of possessing these qualifications themselves, but of imparting to those with whom they deal these same qualifications.

The desirability of more education and skill in the securities business has been strongly voiced by the Education Committee of the Investment Bankers Association. This committee made last year two distinct recommendations. The first was that the Association engage the services of a well qualified educational director, who would give full time to the development and administration of training courses to be conducted in various financial centers. The second recommendation was the publication and wide distribution of a booklet which would emphasize the purposes of investment banking. This object could serve two purposes. It would furnish young men with the opportunities in the investment business, and at the same time furnish the public with the knowledge regarding investments which will eventually lead to a more stable and expanding investment market.

Municipal Bond Committee Report

(Continued from page 1083)

time than to remove the possibility of bureaucratic control over the issuance of and trading in municipal securities. That same conviction is held by members of the Municipal Committee of the Investment Bankers Association of America, with whom your committee has worked closely, the Municipal Bond Club of New York, several municipal organizations and a number of municipal officers. All have been working together closely, and efforts will be redoubled towards bringing the Boren Bill out of committee when Congress convenes in Oct. or sooner.

Your Committee's work has been specifically to obtain endorsements and support for the Boren Bill throughout the country. Members and representatives have contacted state legislatures, city councils, county boards and organizations of municipal officers. Of the 49 endorsements officially listed in the hearings on the Bill your Committee can justly claim credit for having been instrumental in obtaining some 43. In addition to those officially listed uncounted numbers of endorsements have been obtained and forwarded to members of Congress. A great many letters to members of Congress have been written after the meaning of the Boren Bill was explained to citizens. Officially listed endorsements came from the following states:

Arkansas 1; California 4; Florida 7; Illinois 2; Kentucky 2; Louisiana 3; Michigan 1; Missouri 2; New Jersey 1; New York 6; North Carolina 1; Ohio 7; Pennsylvania 6; Texas 2; Miscellaneous 4.

These endorsements refer only to those officially reported in the hearings. Others have been added since, some recently having come in from Oregon and it is indeed a dull week when our valued Vice-Chairman, Buck Alleman does not obtain an endorsement down in his good State of Florida. Obviously there are large territories which have not officially endorsed the Bill, or if official endorsements have been made they have not come to the attention of this Committee. Alabama and Georgia and Tennessee are missing. So are Massachusetts, Connecticut, Rhode Island and New Hampshire. Indiana, Iowa, Kansas and Nebraska are prominent in their absence. Having cool mountain breezes does not seem to answer for Colorado and Washington. Virginia came through by having two of its prominent officials attend the hearing. We urge all of you to double and redouble your efforts on this very important work.

All of us have been interested in seeing the Association gain recognition in the security field. Being the youngest of the national organizations recognition did not come so fast. It was especially slow in coming to the municipal branch of our Association. However, through the work of Russell Dotts on the Port of New York Authority tax case, the work done by our Chairman of last year, and the valuable assistance of his Committee members and representatives, recognition has come. When the Securities and Exchange Commission invited groups to send representatives to the conference held in Philadelphia in July of this year, the invitation went to our President, Mr. Parsons, at the same time that it went to other organizations. Mr. Parsons, Mr. Graham Mr. Pizzini and your Chairman represented our Association. Mr. Dotts and Mr. Al Tryder represented the Philadelphia affiliate of our Association. As stated previously, members of your Committee have kept in touch with and worked closely with representatives of the Investment Bankers Association of America.

Due to the fact that we occasionally have a hot day or two in Louisiana at this time of the year flowers for bouquets were not available. Had they been we would have brought along several. One would have been presented to Tom Graham for the hard and valuable work that he did as Chairman of this Committee for eighteen months and for the guidance which he has given us during the past six months. He has been the wheel horse that the rest of us have been honored to pull with. The second bouquet would have gone to F. Monroe "Buck" Alleman. If the rest of us had gotten just one-half of the results which he has the Boren Bill would have been part of our law long before this. The third would have gone to our good and tried friend from the Queen City of the Ohio, Senator Stanley McKie. The record of interest shown in Ohio speaks for the Senator far better than our words could. Boutonnieres are due to many including Al Tryder, Walter Mason, Jerry Glas and Don Van Boskirk.

It has been a real pleasure to have worked with the members and representatives, with our President, with our very fine Secretary and others of our organization. The cooperation has been splendid in most instances. There is still a lot of work that must be done before it can be reported that our one big battle has been won. Let us all strive to make it possible for the report at our next annual meeting to read "The Boren Bill has been passed. Show us municipal boys something to work on that will further help the corporate business."

Security Traders Association of Los Angeles

Clifford L. Hey

Nicholas P. Kirwan

A. S. McOmber

John C. Hecht

W. J. Zimmerman

President: Clifford L. Hey, *Nelson Douglass & Co.; Vice-President:* Nicholas P. Kirwan, *Dean Witter & Co.; Secretary:* Jos. F. Gallegos, *Pacific Co. of California; Treasurer:* A. S. McOmber, *Revel Miller & Co.; National Committeemen:* John C. Hecht, *Butler-Huff & Co.;* William J. Zimmerman, *Bingham, Walter & Hurry.* Clifford E. Poindexter, *Turner-Poindexter & Co.;* Harry Cottingham, *Dean Witter & Co.;* Leo B. Babich, *Hill, Richards & Co.*

Rail Revenues to Decline

(Continued from page 1080)

for many years to come. Despite governmental policies over the past 20 years that have tended toward the destruction of efficient railroading, the United States found itself at the start of the war with the most efficient railroad system in the world. Results produced by the railroads under private management are, indeed, remarkable. Hitler made a fatal mistake of building super-roadways to displace railways in great extent. Thus he was not able to move his war machine into Russia fast enough to disorganize the enemy. Apparently the course of the war turned on efficient handling of American transportation and inefficient handling of Axis traffic. This is a lesson that should be long remembered by the American public and its Governments.

Future of Securities

Regarding the future of railroad securities, it would be wise for investors to assume that the days of widespread bankruptcies of railroad systems are over. The worst that should reasonably be anticipated is the possibility of "voluntary" capital adjustments in a few cases. In fact, nearly all of the railroads have a great degree of give in the matter of bond interest. Fixed charges of the reorganized systems have been cut down drastically and most of the companies have used war-time earnings to reduce charges by 20% and more. The carriers are now well-fortified with cash resources and could stand a considerable period of deficit operations. Past problems of bond maturities in most cases have been relegated to the distant future. Moreover, it seems likely that the Government will stay in the banking business through its Reconstruction Finance Corporation.

The purpose of this writing, consequently, is to point out the possibility of a drop in railway operating revenue, and the temporary upsetting of the earnings levels of many railroads. In presenting these views, we would guess that the initial shock may be the greatest. The matter should be adjusted before too long; but we know that there is always a tendency among investors to overdiscount a given situation and to believe that any prevailing condition is likely to prove permanent. Therefore, we would warn against the throwing over of good railroad securities based on thoughts that the railroads have seen their day.

Also we know that there are many views that are contrary to the views expressed in this writing—and they may be right and the views herein may be wrong.

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Greetings From NSTA Officials Past and Present

(Continued from page 1069)

HENRY J. ARNOLD

Aggressive in spirit and performance since organization The National Security Traders Association stands on the threshold of a

Henry J. Arnold

new era. There can be no question about the fact that we will continue to be a factor for good in the coming years. Congratulations and thanks to the retiring officers, and every good wish to the new incumbents.

Henry J. Arnold

WILLIS M. SUMMERS

It is once again a pleasure to have the privilege of extending my greetings to the Annual Meeting of the National Security Traders Association and to congratulate Edward Parsons and his official family on their administration during the past year. I was particularly impressed with the time our President and Secretary, Ed. Welch, have given to paying visits to so many of our affiliates. In an organization, such as NSTA, where the membership extends throughout the country, personal visits by the officers and the opportunities they afford to explain the activities of fellow members in other territories, is a great asset in knitting the Association into closer national unity.

I extend best wishes to Thomas

Willis M. Summers

Graham and the incoming officers for a successful year. Tom, as one of the charter members, is thoroughly familiar with the history of NSTA and his activities have contributed to its success.

My one suggestion to the Association this year is to concentrate on the placing of war veterans in our trading fraternity. The security industry is in a greatly improved condition to what it was at the outbreak of the war and I feel it is our duty to do everything possible to obtain positions as quickly as possible for the boys who have been in service.

The war is over and the time for us to act is right now!

Willis M. Summers

JOSEPH W. SENER

Although our industry is not faced with reconversion it has been confronted with many other important problems. The National Security Traders Association has played an increasingly active part in promoting the welfare of our business. We can look forward to a continuation of the Associa-

Joseph W. Sener

tion's progress in this respect under the incoming administration.

I congratulate the retiring officers on a job well done and extend my best wishes to the incoming administration.

Joseph W. Sener

EDWARD D. JONES

I am very optimistic about the post-war possibilities for the financial industry and I am particularly impressed with the National

Edward D. Jones

Security Traders Association's fine start to provide jobs for returning traders. We all have an obligation to the veterans and I hope all phases of the financial industry will follow the pattern set by the National Security Traders Association.

The Middle West appears to be ready for all post-war business and its responsibilities.

Edward D. Jones

Lt. Col.
HERBERT H. BLIZZARD
(Air Corps)

Greetings to the members and guests of the NSTA! The opportunity to gather in great numbers this year is overshadowed by the

Lt. Col. H. H. Blizzard

need of transportation facilities for the great problem of redeployment. In spite of the difficulty in getting about the country our National organization has kept abreast of the ever changing rules of our profession. Through the competent officers selected last year and the capable committees they appointed we have added another milestone to the slow but sure prestige we are accumulating in National financial circles.

Lt. Col. Herbert H. Blizzard

Says Housing Bill Will Cost Government $6 Billions

Morton Bodfish Contends That New Housing Construction Proposed Under Measure Will Be At Expense of Taxpayers and Home Owners. Holds Bill Does Not Provide a Practical Means of Encouraging Low-Rental Housing With Private Funds.

A $6,000,000,000 Federally-controlled public housing program is what the nation is being offered in the Wagner-Ellender bill despite the claim of its proponents and the statement in Section 2 (a) of the proposed measure that it encourages private enterprise as the national housing policy.

Morton Bodfish

This is the conclusion reached by Morton Bodfish, Chicago, Executive Vice-President of the United States Savings and Loan League. He says that a thorough study of the proposals in S. 1342 reveals that it would commit the country to subsidized Federal housing to an unprecedented extent and at an unprecedented cost to the public, and that it contains no provisions worth speaking of for any encouragement of home ownership or of private enterprise in home building.

Besides authorizing billions in contributions from the Federal treasury to public housing, without any contemplation of repayment of these funds, the measure involves tax exemptions which would shift the burden of taxation on this $6,000,000,000 of publicly owned rental property to the people who own their own homes and to other property owners in the city, he explained.

The $6,000,000,000 in contributions are authorized in three different sections of the measure, he points out:

1. For the redevelopment of city lands cleared of slums, $900,000,000.

For the above purpose, Section 306 (d) permits contracts to be entered into by the National Housing Administrator the first year for the payment of $4,000,000 annually for 45 years; for other contracts to be entered into the second year for an additional $4,000,000 annually for the next 45 years, and so on up until the fifth year in the lifetime of the project, by which time it will be possible for the Administrator to have contracted, in behalf of the Federal Government, for $20,000,000 in contributions every year for the next 45 years.

2. For subsidized urban public housing projects, $3,960,000,000.

For this purpose, Section 506 (a) authorizes the United States Housing Authority the first year to enter into contracts for annual contributions of $22,000,000 for the next 45 years, and the second year to enter into additional contracts for annual contributions of another $22,000,000 for a period of 45 years, and so on for four years, until $88,000,000 in contributions every year for a 45-year period have been contracted for.

3. For subsidized housing for families of low income in rural areas, $1,125,000,000.

For this purpose, Section 206 (d) authorizes the United States Housing Authority the first year to enter into contracts for annual contributions of $5,000,000 for 45 years; the second year to enter into contracts for annual contributions of an additional $5,000,000 for 45 years, and so on for five years until it will be possible for contracts to be in force, calling for $25,000,000 in contributions every year for 45 years.

In addition to this $5,985,000,000 which the measure would permit to be taken out of the Federal treasury over a period of 45 years, without any repayment expectations, there is a provision in the Title dealing with slum clearance and redevelopment for a fourth type of Federal expenditure in connection with public housing, he points out.

4. For loans to local public agencies for redevelopment, $250,000,000.

For this purpose, Section 305 (b) provides that the National Housing Administrator may have outstanding $50,000,000 of obligations at the end of the first year of operations, an additional $50,000,000 at the end of the second year, and so on through five years, with the ceiling on obligations outstanding raised by $50,000,000 each of those years, to a total of $250,000,000.

Mr. Bodfish said that the savings and loan business in its studies of the question has not hesitated to recommend local, state and Federal expenditures for slum clearance and for aid in converting slum-cleared areas into parks or into other appropriate public uses but principally for private development and ownership. The savings and loan business has also advocated temporary financial assistance for the lowest income groups as long as they are unable to pay for minimum standard housing accommodations.

"The present proposal in the section listing American housing objectives, includes 'encouragement of home ownership, immediately where feasible and as a long-range objective,' but it is impossible to find anything in the bill which deals with home ownership," Mr. Bodfish says. "Apparently the families who will occupy these subsidized public housing units will pay only about 10% of the taxes other people pay, and will not pay anything for the cost of the house itself, because their rent payments are designed to cover cost of only the management of the building, service and utilities."

As to the sections of the Wagner-Ellender Bill which make some gesture toward private enterprise, Mr. Bodfish says that the elaborate Title IV, providing a new scheme for investment of private funds in rental housing, called "yield insurance," has few aspects of practicality, at best would be used only by a handful of large insurance companies, but does not promise any outflow of private funds into low cost rental housing which would be even a drop in the bucket to the $6,000,000,000 public housing gift proposed.

"Aside from the regulation, red tape and other expenses involved, it is hard to see why an investment institution would invest in such an unliquid investment as an apartment house and have the trouble of the management of it for an insured return of 2¾% from which must be deducted an insurance premium of one-half of 1%, giving a net return of 2¼%," he declares.

"While Title III of the proposed measure would make building sites in the city cleared of slums

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available for private redevelopment, it does so under conditions which would appear to be impossible for private redevelopment function," he says. "There is nowhere in the title any direction that the redevelopment project shall be built and financed by private enterprise."

He added that under the provisions of Section 307 (3), obligations of local public agencies operating under this slum clearance title are free from Federal taxation, whereas there is no provision exempting from such taxes the credit necessary for private building and ownership.

As to the research and local market analysis program proposed to be set up to aid private enterprise housing, this work is already being carried on partly by other departments of the Government, and partly by organizations of private industry.

There is no aid for private enterprise in the proposed continuation of the overall National Housing Agency, he points out. Without exception the spokesmen for private enterprise in the Taft Committee hearings on postwar housing policy testified against the continuation of this temporary wartime consolidation, he recalls.

"The language of the measure making the National Housing Agency permanent would create a new and powerful major agency committed to the furtherance of public housing through one of its constituent units, and at the same time able to control and interfere with mortgage credit and home building in the private enterprise housing industry to an extent much more likely to hinder than encourage this activity," he adds.

"A further slanting of the bill strictly in the direction of public housing is the provision authorizing the sale of any portion of the $1,800,000,000 of defense and war housing built under the Lanham Act to local public housing authorities. The Lanham Act, as it now stands, specifically provides that such properties have to be sold to private parties promptly after the war, and specifically excludes transfer to public housing authorities."

New York Quota in Victory Loan Drive

Incident to the Treasury Department's Victory Loan drive for a goal of $11,000,000,000. Frederick W. Gehle, Chairman of the New York State Victory Loan Committee said on Aug. 27 that New York would be asked to raise about $3,500,000,000 or 30% of the nation's total. After a meeting Wednesday, Aug. 22 with a group of men and women who have participated with him in previous drives. Mr. Gehle announced that William E. Cotter of the Union Carbide & Carbon Co. will be Chairman of the Greater New York City Victory Loan Committee; Gale Johnson, 3rd Vice-President of the Metropolitan Life Insurance Co. will be Chairman of the New York County Victory Loan Committee and Seton Porter, President of National Distillers, will be director of the Commerce & Industry Division; Candler Cobb will head the downstate group and Edward H. Letchworth will direct the activities upstate with headquarters at Buffalo. A special committee will be organized to further the sale in New York of the new $200 E bond which will bear the picture of Franklin D. Roosevelt. Indications are that other states will take similar steps.

For individuals the national quota will be $4 billion; corporations, savings banks, life insurance companies, etc., will be assigned a quota of $7 billion. The bond quota will be $2 billion.

The so-called "baskets" of securities to be offered will be:

Series E, F and G Savings Bonds.

Series C Savings Notes.

2½% Treasury Bonds of 1967-72, maturing December 15, 1972.

2¼% Treasury Bonds of 1959-62, maturing December 15, 1962.

⅞% Certificates of Indebtedness maturing December 1, 1946.

The drive will open for individual subscriptions Monday, October 29th and extend through Saturday, December 8th. The corporate sales will open on Monday, December 3rd and extend through that week to the close of business, December 8th. The accounting period for Savings Bonds and C Notes will cover the two months' period from October 29th through December 31st. The marketable securities will be dated November 15th, except the certificates which will be dated December 3rd.

NSTA MEN IN SERVICE

(Continued from page 1072)

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The COMMERCIAL and FINANCIAL CHRONICLE

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The Financial Situation

For much the greater part of its century or more of existence the London "Economist" has been highly respected and far more influential than its rather limited list of readers would lead one to suppose. Since, some years ago, its editors decided to disassociate themselves from the ideas of Walter Bagehot and his successors, which had given their organ its standing, the "Economist" has inevitably lost its hold upon many, if not most of its older followers, but it has gained strength among the professional reformers, the New Dealers here and elsewhere, and of course, these elements are adept at making use of the standing of the "Economist" to spread their own ideas among the peoples of the world.

What the British Think

It is for this reason, first of all, that what the "Economist" last week had to say about lend-lease and our future policy relating thereto is of first rate importance. Another reason why we think it well at this time and in this place to give some space to the "Economist's" analysis of the situation is that the position assured by it, and its general line of reasoning, explicit and implicit, are so typical of much that has been said and is being said, not only by those abroad who would stand to gain by our continued uncritical and unparalleled generosity, but by many in this country with strange ideas of the forces which create economic well-being.

According to an account carried in the New York "Times" of Sept. 1, here in brief is what the "Economist" had to say on this subject:

"Britain's reasonable requirements of dollars to get through the next two years with reasonable husbandry can be put at two billions. But, if America's last word is that

(Continued on page 1148)

Autonomics and Economics

By ALDEN A. POTTER

Correct Valuation Essential to Synthesis of Cooperation in Industry. Money Saving Prevents Real Saving; Belt-Tightening Does Not Form Capital; Values Are Not Embodied Costs. Progress, to New and Greater Values, Requires Continual Speculative Diversion, Not of Consumption, but of Replacement Reserves (Savings) Into New Channels. "Profit" That Is Neither Interest Nor Wages Is Property Income Affording Capital Gains. Family "Autonomy" Cannot Be Translated Into Social "Economy." Prices Are Speculative, Not Cumulative, a nd Cannot Be "Indexed."

II.

The Autonomics of Investment

Men will always be in some danger of subservience to each other and, therefore, of conflicts that may eventuate in war. If conflict were not an organic proclivity inherent in the struggle to survive, eternal vigilance would not be the price of liberty; nor would we have the highly human bother about knowing the truth in order to be free—free to compete in enterprise that is so organized for a synthetic cooperation as to require scientific standards by which to judge the truth in valuation.

Alden A. Potter

In the science of valuation interest has long been recognized as an essential element. A theory of interest has been presented (Commercial & Financial Chronicle, Dec. 14, 1944) which applies to the development of capital values by capitalization of income and excludes lending as the field in which the "pure" or natural rate of interest is determined. In this theory the marginal ratio of productivity to cost is not an empirical result of the supply of and demand for savings (mis-called "capital") the investment of which is reduced to a fortuitous "marginal efficiency" by the "law of diminishing returns" on "successive increments" in investment; it is rather determined by the influence of an "alternative opportunity" in investment, which is a constant.

At levels of production which exceed the subsistence margin for mature population so that hunger is displaced by love (reproduction) as the dominant motive, consumption of the surplus (above mature subsistence) takes the form of an **autonomic** (self-motivated or profitless) system of investment in which the rate of amortization (time - distributed cost) is also the rate of return (time - distributed income). In other words, the income returned at maturity for repetitious continuance of the autonomic investment in offspring is identical with the outgo or cost of the investment, because the reproductive account is an end in itself and so is autonomically, but not economically, solvent. Being economically insolvent, it can survive only by virtue of a source of income to balance its cost; and any other **(economic)** investment which fails to match its return ratio, even though returns exceed costs other than interest, is not a contribution to the existing "autonomy" and is therefore not solvent.

To create, or increase, this objective surplus, or **autonomically** investible income, costs must, then, be **economically** invested, i. e., they may be diverted from the natural or autonomic system into an accessory, capitalistic or economic system, but only if the former is not a preferable alternative. An economic investment is therefore appraised by a defin-

(Continued on page 1154)

Labor Leaders Comment on "Full Employment" Bill

Higher Output Accompanied by Higher Consumption

By WILLIAM GREEN*

President, American Federation of Labor

Mr. Green, Contending That Private Enterprise Operates Within Controls Which Result in Expansion When Profitable and Contraction When Profits Decline, States That Business Managers Have the Obligation to Plan for Sustained Employment at Pay Levels Promoting Higher Living Standards. Sees Workers' Productivity Constantly Increasing and Calls for a Similar Rise in Consuming Power to Maintain "Full Employment." Predicts Need for One Million New Jobs Annually and Outlines Future Legislative Program by Congress.

The most deep-rooted, universally desired objective next to peace itself, which the war has brought forth, is desire for security. Workers want protection against inability to earn a living in a world that underwrites property. Loss of job is a major catastrophe to wage-earners. It may mean loss of savings and investments in addition to disorganizing the life of the worker and his dependents. Unemployment leaves deep scars on mind and spirit, a cost which society as well as individuals must pay. Fear of unemployment is never completely absent from the lives of workers. The right of every person able and willing to work, to an opportunity to earn the means to sustain life itself, has become an increasingly compelling ideal as industrial production has come to more dominance in our economy, making unemployment correspondingly serious.

William Green

"Full employment" has become a worldwide ideal which peoples of many nations hope to establish and to maintain in the post-war. No one country can do it alone. The United States should lead the way. Its achievement will be the supreme test of our democratic institutions.

S. 380 deals with responsibilities of the Federal Government for promoting "full employment". Its statement of policy setting forth the following purposes, makes a

*Testimony of Mr. Green before the Senate Committee on Banking and Currency, Aug. 28, 1945.

(Continued on page 1152)

United Mine Workers Want Reduced Working Day

By JOHN L. LEWIS*

President, United Mine Workers of America

Mr. Lewis Says Problem of Providing Employment Is Associated With Question of Number of Hours Operated in Production. Because of Technological Improvements Increasing Man-Hour Output, He Wants Power Given Congress to Deal With Productive Hours Under Which Industry Will Operate and Thus Shorten Working Day. Holds Congress Should Not Fix Wages. Fears Nation's Productive Capacity Will Not Be Absorbed.

Speaking for the United Mine Workers of America, I speak in approval of Senate Bill S. 380 in principle, reserving the right to dissent from possible amendments when the bill is in final shape as a result of your deliberations. I doubt that it is necessary for me to make any detailed analysis of the bill or to burden the committee with a repetitive discourse, on grounds that have been covered by previous witnesses, with which substantially there is no dissent.

I call to the attention of the committee this fact which I think is of vital and profound importance. The problem of providing employment opportunities in the years to come is indubitably associated with the question of number of hours and number of days that we operate our production and fabricating plants in the Nation. This bill calls for the annual survey and report to the Congress through the medium of the machinery that is created here, with recommendations for action by Congress to take up the slack between the job opportunities being created by private enterprise and the amount required. Now, unquestionably the length of the day's work and the length of the work-week enter into any serious computation of that problem or any profound consideration of the equations which are involved.

It runs to the question of the functioning of the entire economic establishment of the Nation. The enormous quantity production per man employed will be greatly increased in the postwar years. We are living in a marvelous age when genius and science are performing modern miracles, in new formulas, in the realm of chemistry, physics, engineering and mathematics. Every day we are increasing the productive capacity of our employable and available manpower in the country. In other words, we are abolishing work as such and we are utilizing power

*Testimony of Mr. Lewis before the Senate Committee on Banking and Currency, Aug. 28, 1945.

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†Not available this week.
‡These items appeared in our issue of Monday, Sept. 3, on pages indicated.

Peacetime vs Wartime Economy

"American workers were members of the great team which made possible our brilliant military success. . . .

"On this occasion, I want to extend my thanks and congratulations to every one of them.

"Let us now dedicate ourselves to the task of welding a lasting peace, a peace which will guarantee that we shall never again have to go to war to defend our way of life. That is a job which vitally concerns every man and woman in America."—Robert P. Patterson, Under-Secretary of War.

"The combat soldiers of the Army Ground Forces realize that the soldiers of the production line were also a vital part of the armies that licked the Germans and the Japanese. . . .

"Now that peace is at last bringing the combat soldiers home we must all continue the teamwork which brought us success in war."—General Jacob L. Devers.

"May we, the people of this country, have the intelligence and the energy to wage the peace and the reconversion as completely and as successfully as we waged total war.

"If we can do that, we can look forward with hope and confidence to an era of high wages, employment and a good standard of living for each and every worker."—Secretary of the Treasury Vinson.

These are all quite appropriate V-J-Labor Day statements.

We hope we are in error in seeing in them evidence of too much faith in the wartime totalitarian-collectivist management of our economy as a peacetime mode of procedure.

U. S. Terminates Lend-Lease Program— British Leaders Disturbed by Cessation

The United States has terminated its lend-lease operations and has sent formal notice to most of the governments participating in the program, White House Secretary Charles G. Ross announced on Aug. 21, according to Associated Press advices from Washington. The announcement stated that President Truman had ordered that all outstanding lend-lease contracts be canceled "except where Allied Governments are willing to agree to take them over or where it is in the interest of the United States to complete them." The United States it is pointed out has spent some $40,000,000,000 in lend-lease operations. The statement of Mr. Ross as given out at the White House follows:

"The President has directed the Foreign Economic Administrator to take steps immediately to discontinue all lend-lease operations and to notify foreign governments receiving lend-lease of this action.

"The President also directs that all outstanding contracts for lend-lease be canceled except where Allied Governments are willing to agree to take them or where it is in the interest of the United States to complete them.

"The Foreign Economic Administrator furthermore is instructed to negotiate with Allied Governments for possible procurement by them of lend-lease inventories now in stockpile or in process of delivery.

"If the military needs lend-lease supplies for the movement of troops or for occupation purposes the military will be responsible for procurement.

"It is estimated that uncompleted contracts for non-munitions and finished goods in this country not yet transferred to lend-lease countries amount to about $2,000,000,000 and that lend-lease supplies in stockpile abroad amount to between $1,000,000,000 and $1,500,000,000."

The concern expressed by British Government officials with the termination of lend-lease brought from United States' Foreign Economic Administrator, Leo T. Crowley, on Aug. 24 the rejoinder that "responsible British officials must have recognized" that such shipments would end on V-J Day. Mr. Crowley on Aug. 24 told reporters that "I had no discretion under the law and under the promises made to the Congress of the United States. The late President Roosevelt, Mr. Truman, as Vice-President, and I had repeatedly stated that lend-lease could not be used for post-war rehabilitation."

Mr. Crowley said, according to the Associated Press report of the interview, from Washington, Aug. 24, that the United States had done everything possible within the law to cushion the impact resulting from a quick termination of lend-lease shipments. He disclosed that the facilities of the Export-Import Bank had been offered to Britain in an effort to give her sufficient dollars to continue outstanding orders placed under lend-lease.

"We also have offered them the opportunity to obtain lend-lease shipments stockpiled here or in the pipeline or even in the process of manufacture after V-J Day under conditions that they pay for them over a 30-year period at 2⅜% interest," he said. In addition, Mr. Crowley said the FEA had offered to continue its procurement machinery now in operation so as not to disturb the even flow of goods.

"What more could have been done, I don't know," he said, "if our promise to the Congress and American people who have appropriated approximately 40 billion dollars for lend-lease was to be kept."

In an account from Washington Aug. 24 appearing in the Hartford "Courant" Mr. Crowley was quoted as saying: "The question was not of a sudden end to lend-lease but of a sudden ending to the Japanese war."

Mr. Crowley labeled as "impossible" any British expectation that the United States would continue lend-lease shipments to Britain after Japan's surrender until some new type agreement took its place.

Since lend-lease sprang from Congressional action, he said, any such new measure would require Congressional approval also and would have "taken weeks and perhaps months" of negotiation.

Mr. Crowley said that other European nations, whose economies also have been affected by termination of lend-lease, had realized the inevitability of the United States decision and already "were cooperating with us" to arrange for continued shipments on a credit basis.

Under date of Aug. 27 Associated Press advices from Washington reported Mr. Crowley as saying that Russia, China, France, Belgium and Holland have indicated their willingness to "go along" with a United States credit program designed to continue the flow of goods formerly supplied through lend-lease. These advices also said France, Belgium and Holland already had agreed to the plan in their original lend-lease contracts and have renewed their pledges in recent conversations, he said in an interview.

Britain has not formally stated its position. Lord Halifax, British ambassador, is enroute here from London with a commission appointed by Prime Minister Attlee. They are expected to begin discussions next week.

The United States has proposed that any nation which participated in lend-lease still can obtain its shipments provided it agrees to pay within 30 years at 2⅜% interest.

The ending of the lend-lease program placed Great Britain "in a very serious financial position," in the words of Prime Minister Clement R. Attlee, according to Associated Press advices from London, Aug. 24.

Stating that his Government had hoped that lend-lease would not have ended without prior consultation, Mr. Attlee, however, cautioned members of the House to exercise "utmost restraint" within and without the Chamber in commenting on the situation. Former Prime Minister Winston Churchill stated that he could not believe that the United States, "whose lend-lease policy was characterized by me as the most unsordid act in the history of the world, would proceed in such a rough and harsh manner as to hamper a faithful ally who held the fort while their own American armaments were unprepared" and that he felt that this was not the "last word of the United States."

From Washington Aug. 25 it was stated: The expectation that something will be done to help the British over the long pull is rather general among Congressmen reassembling after their vacation, but there is sharp reaction among them to London criticism of the end of lend-lease.

Representative Emanuel Celler, Democrat, of New York, led off in that direction with a statement saying a "proper substitute" will be found if England opens markets for American goods in foreign lands.

Expressing belief that England is keeping India and other sterling bloc areas from buying American goods, Representative Celler added, "We want to help England out of her unfortunate debt position, but she is not playing cricket."

Senator Arthur H. Vandenberg, Republican, of Michigan, who often speaks for Republicans on foreign affairs, said at a news conference that he was surprised that the British were surprised by the end of lend-lease.

Senator Robert F. Wagner, Democrat, of New York, chairman of the Senate Banking and Currency Committee, told newsmen the time for the end of lend-lease had been long known and "I just can't understand their attitude."

Representative Sol Bloom, Democrat, of New York, chairman of the House Foreign Affairs Committee, said that from the American viewpoint British complaints are "unreasonable, especially in view of the fact that the act made it perfectly plain what was going to happen."

Representative Brent Spence, Democrat, of Kentucky, chairman of the House Banking and Currency Committee, called the British reaction "unsubstantial in view of the facts" but said we should help with loans.

Conversations between former Prime Minister Churchill and the late President Roosevelt, it was reported, always assumed that the war with Japan would last long enough after the victory over Germany for a gradual shift of trade away from lend-lease.

The kind of Anglo-American economic arrangement most commonly spoken of here is a long-term loan at very low interest. There is still talk, however, of either a "grant in aid" or of a non-interest-bearing loan which would be callable at such a distant time that in effect it would be a gift.

It seems certain that whatever arrangement is worked out will have to be submitted to Congress.

Japan Signs Formal Surrender

Japan signed the formal terms of surrender to the Allied nations the night of Sept. 1, making Sept. 2, 1945, officially V-J Day. In the presence of the Allied commanders, on board the United States battleship Missouri, the representatives of the Japanese Government, both military and diplomatic, placed their signatures on the document which signaled their only defeat in their 2,600-year-old history. For days earlier United States forces had entered the Japanese homeland islands where a subjugated people received them with little outward show of hostility.

The once proud port of Yokohama has become Gen. Douglas MacArthur's headquarters for his occupation forces, pouring in by sea and air, the Associated Press reported, Aug. 31.

The Supreme Commander told cheering parachute troopers as he stepped from the plane which brought him to the conquered land: "It has been a long, hard road, but this looks like the payoff. . . . The Japanese are acting in complete good faith. I hope that we can go ahead without friction and without undue bloodshed."

Reporting that the solemn ceremony of surrender required only a few minutes for the affixing of 12 signatures to the surrender document, Associated Press advices emanating from the U. S. S. Missouri at Toyko Bay Sept. 2, said:

General MacArthur, opening the ceremony, declared:

"It is my earnest hope and indeed the hope of all mankind that from this solemn occasion a better world shall emerge out of the blood and carnage of the past."

On behalf of Emperor Hirohito, Foreign Minister Mamoru Shigemitsu signed first for Japan. He doffed his top hat, tinkered with the pen and then firmly affixed his signature to the surrender document, a paper about 12 by 18 inches.

Shigemitsu carefully signed the American copy first, then affixed his name to a duplicate copy to be retained by Japan.

Following him, General Yoshijiro Umezu, of the Japanese Imperial General Staff, sat down resolutely and scrawled his name on the documents.

General MacArthur was next to sign, as Supreme Allied Commander, on behalf of all the victorious Allied powers.

General MacArthur immediately called for Lt.-Gen. Jonathan Wainwright, of Bataan and Corregidor, and Lt.-Gen. Sir Arthur Percival, of Singapore, to step forward.

General MacArthur signed the documents with five pens.

The first he handed immediately to Wainwright, the second to Percival.

The third was an ordinary shipboard Navy-issue pen.

General MacArthur then produced a fourth pen, presumably to be sent to President Truman.

Then he completed his signature with still a fifth, possibly a trophy to be retained by himself.

Wainwright and Percival, both obviously happy, saluted snappily.

They were followed by serene-faced Admiral Chester W. Nimitz, who signed on behalf of the United States.

After Nimitz came China's representative.

The United Kingdom's signature was followed by that of Soviet Russia.

The Russian staff officer signed quickly.

General MacArthur smiled approvingly as the Russian rose and saluted.

Quickly Australian, Canadian, French, Dutch and New Zealand representatives signed in that order.

The Australian General, Sir Thomas Blamey, happened to sign the Japanese copy first, with an expression that denoted it didn't make any difference.

The Associated Press reported that signing for the Allies were:

United Kingdom—Admiral Sir Bruce Fraser.

Soviet Union—Lt.-Gen. Kuzma Derevyanko.

Canada—Col. L. Moore Cosgrave.

Australia—Gen. Sir Thomas Blamey.

France — Gen. Jacques-Pierre Leclerc.

Netherlands — Admiral Conrad E. L. Helfrich.

New Zealand—Air Vice Marshal Leonard M. Isitt.

Admiral Helfrich, who was Allied commander in the tragic, heroic Java Sea battle in 1942, fiddled with his pen as he started to sign. General MacArthur stepped up to help him. The pen worked and Admiral Helfrich, signing quickly, saluted.

President Truman, in a broadcast from Washington on Sept. 2, addressed primarily to members of our armed forces throughout the world, after pledging that everything possible "would be done to speed their return to civilian life and to assure their coming back to 'a good life'," declared, according to a special dispatch from Washington on that date to the New York "Times":

"On this night of total victory, we salute you of the armed forces of the United States—wherever you may be. What a job you have done! We are all waiting for the day when you will be home with us again. Good luck and God bless you!"

An item bearing on the negotiations preliminary to formal surrender appeared in the "Chronicle" on Aug. 30, page 976.

President Approves St. Lawrence Seaway

President Truman has stated that he intends to recommend to Congress that legislation be passed to implement the construction of the St. Lawrence Seaway, for development of the Great Lakes and St. Lawrence River, implying his approval of the project. In reporting the President's attitude, the Associated Press, in a Washington dispatch on Aug. 30, stated that several bills relating to development of the seaway are now before Congress. The project, which would make the waters of the St. Lawrence navigable for ocean-going vessels, is estimated to cost $421,000,000. It would increase the tonnage capacity of the river and lakes by about 20,000,000 tons annually, according to supporters of the development.

Truman Favors Continuance of Draft Of Men 18 to 25 Years Old

In identical letters to the Chairmen of the Senate and House Military Affairs Committees President Truman, on Aug. 27, urged Congress to continue induction into the armed forces of men 18 to 25 years old on the ground that men will be seriously needed in the occupation of the Pacific area for some time to come, according to the Associated Press on that date, in a dispatch from Washington.

The President also warned against a premature declaration of the end of the war emergency by Congress, asserting:

"Tragic conditions would result if we were to allow the period of military service to expire by operation of law while a substantial portion of our forces have not yet been returned from overseas. I am confident that the Congress will take no action which would place the armed forces in such a position."

Mr. Truman stated that he could not recommend a discontinuance of Selective Service inductions, adding, according to the Associated Press:

"It occurs to me that it would be helpful to your Committee in planning its legislative program to have my views on the matters which will be under your consideration. As you know, coincident with Japan's acceptance of our surrender terms, two important steps were taken to adjust Army man power requirements: A worldwide campaign to obtain the maximum number of volunteers was initiated, and Selective Service calls were reduced from 80,000 to 50,000 men a month.

"The first of these steps will require legislative assistance. Present laws place a ceiling of 280,000 on the number of enlistments which can be accepted; only men now in the service or those who have been discharged for less than 90 days can be enlisted directly, and there are some legal uncertainties regarding reenlistment bonuses, grades, mustering-out pay and other benefits under the G.I. Bill of Rights. These matters should be clarified as rapidly as may be to the end that there will be no legal impediments to the maximum procurement of volunteers. In addition the Congress will wish to consider what more can be done in the way of furnishing inducements which will stimulate voluntary enlistments. The more men who can be secured by this means, the fewer it will be necessary to induct into or continue in the service.

"The continuance of inductions through the medium of Selective Service will be one of your most critical problems. From many standpoints, I wish it were possible for me to recommend that the drafting of men be stopped altogether and at once. But, sharing the deep feeling of our people that those veterans who have given long and arduous service must be returned to their homes with all possible speed, and with the certainty that world conditions will require us during the transition period to settled peace to maintain a real measure of our military strength, I cannot so recommend.

"The situation in the Pacific continues to have many elements of danger, and war-torn and disorganized Europe is facing a difficult winter season with scarcities of food, fuel and clothing. Our occupation forces in those areas must be held at safe levels, determined largely by Gen. MacArthur and Gen. Eisenhower, who are on the ground and familiar with the situation. We cannot stop the certain in-flow of replacements into the armed forces, without necessitating prolonged service of veteran soldiers.

"My great concern at the present moment is for those now in the armed forces whose war service has separated them from their homes and loved ones for extended periods. An unforgivable discrimination would result, if we should favor those who have had no military service by suspending their induction at the cost of requiring further sacrifice from those who have already done their part.

"Based on the present unsettled conditions in Europe, the uncertainties of the Pacific, and decent consideration for all the men in the service who have borne the burden of the past years, I have approved continuation of inductions until such time as the Congress shall establish the broad national policies to govern full demobilization, occupation and world security.

"While the question of how to provide adequate military forces and at the same time to restore veterans to their homes is a matter for determination by the Congress, it appears clear to me that we dare not depend solely on volunteers. The continuation of inductions through Selective Service at a rate depending upon the rate of volunteering is the only safe and acceptable solution. However, it is my view that these inductions should be for a two-year period unless sooner discharged and should consist of men in the age group 18 to 25 inclusive.

"It is my firm conviction, which I believe is shared by the majority in this country, that war veterans who do not volunteer to remain in the service should be discharged as soon as it is practicable to do so. This means that we must start at once to obtain personnel exclusive of these veterans to carry the burden of the occupational period. Volunteers should be procured in maximum numbers and the remainder of whatever strength is required obtained by post V-J day inductions through Selective Service.

"The War Department is stressing the procurement of volunteers to the utmost. How many will be obtained is problematical but from past experience and the most recent studies 300,000 appears to be the maximum to be expected by July next. Inductions, if continued at the present reduced rate, for the same period would produce approximately 500,000 men. On this basis there will be not more than 800,000 non-veterans and volunteers in the Army next July.

"It is certain that 800,000 men will be insufficient to meet overall requirements next July. Gen. Eisenhower's and Gen. MacArthur's estimates alone total 1,200,000, exclusive of the numbers required for supporting troops in the United States and other areas. The difference between the 800,000 non-veterans and volunteers and whatever total strength is required must be made up by holding additional numbers of veterans in the service. It is evident that any curtailment in the number of selective service replacements will only accentuate the number of veterans who must be retained in the service. While it will not be possible to discharge all of them even under the proposed system as soon as we would like, we will have the satisfaction of knowing that the program will give them the best opportunity we can provide for their early return to civil life.

"One other matter which deserves the immediate consideration of your committee is the question of when the 'emergency' or 'war' should be officially terminated. I must emphasize the danger that lies in a too early unqualified formal termination. Tragic conditions would result if we were to allow the period of military service to expire by operation of law while a substantial portion of our forces had not yet been returned from overseas. I am confident that the Congress will take no action which would place the armed forces in such a position."

Thailand Seeks Peaceful Status With United Nations

A communication has been received by the State Department from the Government of Thailand, stating that the Thai declaration of war against the United States, made under Japanese compulsion, had been eradicated and that Thailand is desirous of joining the United Nations in efforts for world stabilization. The communication, according to the New York "Times" in a special dispatch from Washington, Aug. 19, described a proclamation issued by the Regent of Thailand on Aug. 16, covering the following points:

The declaration of war by Thailand against the United States on Jan. 25, 1942, was declared "null and void, as unconstitutional and contrary to the will of the Thai people."

The determination of the small Asiatic kingdom to restore the friendly relations that existed before the Japanese occupation.

The promise of the repeal of laws "prejudicial to our interests" and "just compensation" for damages resulting from those laws.

The pledge of full Thai cooperation with the United Nations in the establishment of world stability.

The communication to our State Department asserted that the nullifying of the declaration of war applied equally to Britain, and that Thailand was ready to restore to British control territories in Malaya and eastern Burma which the Japanese had "entrusted to Thailand."

Accepting the views contained in the proclamation to the United States, Secretary of State James F. Byrnes referred to it as "a welcome step in American-Thai relations," the "Times" stated and added that Mr. Byrnes' statement recalled that the Japanese occupied Thailand at the same time as their attack on Pearl Harbor, and that the Thai declaration of war, seven weeks later, was made with the Japanese in full control of the government of Thailand. The "Times" continued:

The United States, the statement continued, had taken the position that the declaration did not represent the free will of the people.

Immediately following the Japanese occupation, a Free Thai Movement was organized by the Minister in Washington, which had "since contributed substantially to the Allied cause," it was stated.

Furthermore, the statement noted, a resistance movement developed within Thailand and "important aid" was received from and given to it by the American and British Governments.

In fact, the Thai resistance movement had been "for a number of months" prepared to begin "overt action" against the Japanese, but such action was deferred at the request of the United States and Britain for "operational reasons."

The State Department summarized its reaction to the Thai communication in the following terms:

"Before the war Thailand and the United States had a long history of close friendship. We hope that friendship will be even closer in the future. During the past four years we have regarded Thailand not as an enemy but as a country to be liberated from the enemy. With that liberation now accomplished we look to the resumption by Thailand of its former place in the community of nations as a free sovereign and independent country."

Profit Level Formula Provided Manufacturers

The Office of Price Administration has established reconversion "profit factors" for eight classes of consumer and industrial goods, to be used by manufacturers in determining adjustments in current ceiling prices for items going back on the market after a wartime absence, according to special advices to the New York "Times" from Washington, Aug. 21.

This is the first time that makers of textile, printing and paper mill machinery have been given factors, and this action also provides manufacturers of the following consumer goods with factors more specific than those previously announced for the industry groups of which they are members: household vacuum cleaners, washing machines and ironers, all except electric stoves, metal household furniture and miscellaneous hardware.

The new profit factors, which went into effect August 21, will be used with the reconversion pricing orders announced July 23, OPA said. These orders, the agency stressed, are "basically relief measures," but they can be used also for working out satisfactory individual adjustments for manufacturers in reconverting industries who are ready to resume civilian production ahead of other firms in the industry, it was said.

Manufacturers of the items included in the new ruling, the "Times" continued, are allowed to calculate their reconversion ceiling prices as follows: They will adjust their 1941 total costs for increases since that time in materials prices and basic wage rates, and to the adjusted figure they will apply the appropriate profit factor. The "Times" added:

Producers with annual sales of less than $200,000, however, have the option of using either the profit factors announced today or their own average 1936-1939 margins over cost. Firms doing less than $50,000 business a year are permitted to base their reconversion ceilings on total current costs instead of on an adjusted basis, it was said.

Products included in today's action, and the applicable profit factors, are: Domestic stoves (coal and wood, oil-gas combinations, gas cooking and gas heating)—3.7%; domestic washing machines and ironers—2.6; metal household furniture—2.4; vacuum cleaners—4.6; miscellaneous hardware (excluding products under the new regulation covering builders' hardware)—5.1; paper-mill, pulp-mill, and paper products machinery—4.2; printing-trades machinery and equipment—3.0; textile machinery—6.0.

Postmaster General to Speak in New York

Making his first public address since becoming Postmaster General in the Truman Cabinet, Robert L. Hannegan will be honored guest and speaker at a luncheon commemorating the 25th anniversary of the first Trans-Continental Airmail Flight, at the Waldorf Astoria on Friday, Sept. 7, at noon, under the sponsorship of the Aviation Section, New York Board of Trade, in cooperation with the Wings Club, Inc., John F. Budd, Chairman, announced on Aug. 30. Mr. Hannegan will address a gathering of aviation officials and business executives on the future of airmail, which should define the future policy of the present administration as to how it will affect this vital subject. The United Airlines will present to Postmaster Albert Goldman a plaque commemorating this airmail achievement in the history of the U. S. Postal Dept. He will receive the plaque for the City of New York. Welcoming Mr. Hannegan will be Grover Whalen, Chairman of the Board, Coty Int'l, Inc. Sumner Sewall, former Governor of Maine and presently President of American Export Airlines, will introduce the Postmaster General to the audience.

Volunteers to Armed Forces Again Permitted

Men 18 to 38 years old will again be permitted to enlist in the armed services under an executive order issued by President Truman, Aug. 29, which revokes a ruling of Dec. 5, 1942, banning voluntary enlistments in order that available manpower for war be equitably distributed under Selective Service. The President's action is described by the Associated Press, in reporting the order from Washington, as one of a series of steps contemplated in the Administration program to obtain military and naval personnel by voluntary methods to the extent that it is possible.

These advices likewise said: In a letter to military committees this week he proposed that this voluntary program be supplemented by the continued draft of men 18 to 25 for two-year periods to keep the forces "at safe levels."

The President's move must be supplemented by Congressional action lifting a ceiling of 280,000 on regular Army volunteers. Mr. Truman also has asked that Congress clarify laws governing voluntary enlistments and offer inducements to recruits.

Both services recently announced plans for extensive voluntary recruitments. The Army program contemplates enlistments for three-year periods.

Representative Kilday, Democrat, of Texas, said tonight he understood that the War Department had drafted proposed legislation raising enlistment ceilings and would offer it to the House Military Committee, of which he is a member.

The President told Congress the country "dare not depend solely on volunteers" to maintain an occupation force for Europe and Japan of 1,200,000, plus supporting troops in the United States.

In this he took issue with some Congressional advocates of immediate abandonment of inductions.

Price Aide to Eisenhower

Byron Price, former director of the recently abolished Office of Censorship, has been named by President Truman as adviser to American occupation officials in Germany on matters pertaining to public relations, an Associated Press dispatch from Washington stated on Aug. 30. It was added that General Eisenhower and his political expert, Lieutenant General Lucius M. Clay, had especially requested Mr. Price's services. From the press advices we quote:

Mr. Price, former executive news editor of the AP, directed censorship throughout the war. Censorship ended the day after Japan's surrender, and Mr. Price has been liquidating the office.

After conferring with the President today, Mr. Price said he would not be a public relations officer, but would advise on procedure to be carried out by others. He plans to leave around Sept. 8 and expects the new job to take no more than two months. After that—his first vacation in four years.

Mr. Truman told a news conference Mr. Price would be his personal representative and would advise on all matters concerned with public relations.

Mr. Price said this would include German publications and radio, and the general subject of relations between American forces and the German people. In addition, he will deal with censorship of mail and other means the German people might use to disseminate information.

The Financial Situation

(Continued from first page)

lend-lease ends now and any further assistance has to be on long terms, the only sound British policy is to borrow the smallest possible amount that will see us through the transition period with considerable hardship and to become independent of American assistance at the earliest possible moment. The danger is not that further American assistance will not be forthcoming, but that it will be forthcoming only on terms that postpone indefinitely the prospect of achieving independence of further assistance. . . . Americans do not like having this dilemma put before them. They think it is an attempt to bargain by threats of sabotage. But it is no such thing. The choice is not posed by British ill-will, but by facts from which neither they nor we can escape. They can refuse to clear up, by lend-lease methods, the mess that the war leaves behind. Or they can have their desire for a more liberal system of trade. They can not have both. The British Government would be within its rights in asking Americans to make it quite clear which policy they want."

What?

Here, so it seems to us, is the very essence of arguments advanced in support of Bretton Woods and many other schemes as well as further lend-lease, and there is so much guile—possibly quite unintentional—in these words that it may be worth while to restate the position of the "Economist" in plain English—of the sort for which the "Economist" was once justly noted. If Bagehot could have ever brought himself to give expression to such ideas—which is difficult for us to conceive—this, it seems to us, might be the way he would have expressed himself:

"If the British people are to enjoy a plane of living which to themselves seems reasonably adequate during the coming two years, they must find somewhere abroad a people willing to supply them with about two billion dollars, or the equivalent in goods, a very substantial portion of which must be an outright gift, for the British have no means of current payment for any such quantity of goods, and no reason to expect to be able to pay for them in the years to come.

"If America, which has been supplying us with a substantial part of our means of subsistence during the war, really intends to bring this stream of gratis supplies to an end at once; if, in other words, from this time forward we British must live within our own means, we shall not be able soon to attain the plane of living for which we had hoped, and which we think is reasonable.

"America is willing apparently to lend us dollars freely with which to buy supplies. It would not be surprising if they were willing to lend us a good deal more than we British could afford to borrow. But we are a sensible and prudent people. We must borrow as little as possible, or we should presently find ourselves bankrupt with our credit quite exhausted—even in America.

"That would of course mean that we could buy much less American goods than otherwise would be the case. Ordinarily this would mean simply that American exporters would be obliged to turn elsewhere to find buyers. But things are going to be different here in the years to come. We intend to manage our domestic economy. We plan to engage in a broad program of socialization—which will require highly unorthodox if not novel financial expedients. Evidently we shall have to place a rigid limit upon imports for which we are expected to pay. These restrictions will have to be particularly heavy as respects those countries like the United States whose currencies are high in terms of sterling. Plainly too we should have to make our own arrangements with countries with which we could form a sterling 'bloc.'

"For such arrangements as these Americans have frequently in recent years expressed a cordial dislike. We think they are right. We like them no more than do the Americans. We should much prefer to go on for another couple of years with liberal American grants-in-aid. We think, moreover, that those Americans are right who contend that their country would profit immensely by continuing to give away its resources and the products of its labor.

"But it is not for us to formulate American policy. We think, however, that we are entitled to know what that policy is to be—and perhaps to let the people of America know what we should feel obliged to do in the event that we find it necessary to live within our own means. We hope we shall be pardoned for suggesting what the effect is likely to be on American industry and trade."

Fallacies Exposed

The false assumptions upon which such reasoning rests and the fallacies which abound in it, are, we think, rather plain when expressed in these terms. The almost incredible fact that the British are actually asking alms; the thin cloak which attempts to mask this fact by claiming at least by implication that we as a people could somehow make a large profit on goods given away; the strangeness of the notion that somehow by shutting itself from the world, socializing its economy and extracting a few Keynesian rabbits from John Bull's hat, the British people can greatly improve its position—all this is now plainly in evidence.

What policy the British pursue is probably beyond our control. It may be that we shall feel a desire or a duty on humanitarian grounds to continue for some time to come to the aid of the British. It might be better to call these gifts grants-in-aid rather than loans—which would be uncollectible.

But let us not be led into the trap of supposing that we can grow rich by supporting half the world with goods for which we get nothing — or more specifically, by giving Britain goods which she otherwise would bar from the country.

Rose President of American Tariff League

The election of H. Wickliffe Rose as President was announced today by the American Tariff League. Mr. Rose, Assistant to the President of the American Viscose Corp., succeeds Frederick K. Barbour, President, Linen Thread Company, New York, who became chairman of the League's Executive Committee. Roy C. McKenna, Board Chairman of the Vanadium-Alloys Steel Co. of Latrobe, Pa., was elected First Vice-President of the League. Wheeler McMillen, Editor-in-Chief, "Farm Journal," and a member of the League's Board of Managers, was elected to the Executive Committee. Two new Board members were also added. They are: J. H. Schermerhorn, President of the Joseph Dixon Crucible Co. of Jersey City, N. J., and D. Joseph O'Connor, Vice-President of the Acme Shear Co. of Bridgeport, Conn. The new League president, Mr. Rose, is Chairman of the Board of Governors of the Philadelphia Textile Institute, a trustee of the Philadelphia Museum of Art, and a member of the Executive Committee of the Textile Research Institute. In 1924, Mr. Rose joined the American Viscose Corp. as Southern sales manager, and in the following year opened the first rayon sales office in the South at Charlotte, N. C. In 1935, he became Manager of Sales for rayon staple fiber in the New York office when the American Viscose Corp. began to manufacture that product. In 1942, Mr. Rose was transferred to the corporation's main office at Wilmington, Del., where he assists the President in a general capacity.

Favors Equal Access to News for All Newsmen

Another step toward mutual understanding among the peoples of the world has been taken by President Truman in his assertion that it is his wish that all representatives of the press, without discrimination as to origin or nationality, shall have equal access to the news at Washington, an Associated Press dispatch from there stated on Aug. 22. The President went on to say that he hoped this attitude would be reciprocated by all other nations throughout the world toward American newsmen.

Mexican-American Conference on Industrial Research to Be Held in Chicago Sept. 30-Oct. 6

Dr. Jesse E. Hobson, Director of the Armour Research Foundation of Illinois Institute of Technology and chairman of the steering committee for the forthcoming Mexican-American Conference on Industrial Research, announced on Aug. 26 the names of the group which will represent Mexican government, finance and industry at the conference in Chicago from Sept. 30 through Oct. 6. This meeting has been called by the Foundation in order to help bring about a better mutual understanding between the two countries regarding methods used in the solution of their respective problems in research for industry. Through visits to university laboratories, research foundations, private industry and government sponsored laboratories, as well as through discussion and panels with key men from both countries in the field of industrial research, methods of financing, managing and carrying on fundamental and applied research will be exchanged.

Among the members of the Mexican delegation to this conference will be Ing. Evaristo Araiza, President of the Board of Directors of Banco de Mexico and President Cia. Fundidora de Fierro y Acerco de Monterrey; Jose Cruz y Celis, President of the Confederacion de Camaras Industriales and President of Productos de Maiz, S.A. (Mexican subsidiary of Corn Products Refining Company); Lic. Antonio Espinosa de los Monteros, Manager of Nacional Financiera, S.A.; Roberto Garza Sada, Director of Cerveceria Cuauhtemoc, S.A., Valvores Industriales, S.A., Hojalata Y Lamina, S.A., Banco de Nuevo Leon, Credito Industrial de Monterrey, Cia. Fierro Y Acero de Monterrey, and Fabrica de Empaques de Carton. Many others, equally prominent will attend the conference, the group including William B. Richardson, director of the National City Bank of New York in Mexico.

Army, Navy Plans for Reducing Numbers

Testifying before the House Military Affairs Committee on August 28, General Staff Officers stated that the Army has plans in readiness to liberalize its point discharge system as soon as it learns definitely from General MacArthur that he does not need any more combat troops. In reporting the statements of the Army men, in a dispatch from Washington, the Associated Press outlined the program as follows:

1. All points will be computed. At present points are figured on a May 12 basis.

2. All men with 80 points or more will be discharged. The present figure is 85 points.

3. All men with 60 points or more will not be sent overseas. The present figure is 75 points.

"Actually the reduction to 80 points, when it is announced, will be more than what it sounds," Maj.-Gen. Stephen G. Henry, assistant chief of personnel, told the committee. "This will be true because at that time men will have been given extra points under the recomputed score from May 12 to that date.

"Accordingly, men overseas who now have approximately 72 points will be eligible for immediate discharge."

General Henry also disclosed that the Army was planning a special point system for discharging officers. The present one applies only to enlisted men. For officers, he said, a different release figure will be set for varying branches of the service.

General Henry reported that the Army will step up discharges from a present figure of approximately 40,000 a week to a peak of 158,200 men a week in January.

Secretary Forrestal outlined the Navy's expanded demobilization plans to newspaper men. Previously, it is pointed out, the sea arm contemplated discharging between 1,500,000 and 2,500,000 within a year or 18 months. Now the plan is to cut back Navy strength to 500,000 enlisted personnel and 50,000 officers in the next twelve months. The press advices add:

Secretary Forrestal also reported that the Navy's point system for discharge will be altered to allow credit for overseas service. This credit will be included in the discharge formula within about two months without reduction in the present scores or decrease in the credit for age, service or dependency.

End of War Agencies Foreseen Soon

President Truman has indicated his intention of abolishing nearly all the Government's emergency war agencies as rapidly as possible, the Associated Press reported from Washington, Aug. 19, adding that the President wants oldline Federal Departments to take over whatever of the agencies' functions may be required in peace time. The prospect of the duration of the various Government agencies, according to the Associated Press, is approximately as follows:

"Office of Civilian Defense—Already abolished.

"Office of Censorship—Out of business.

"Petroleum Administration for War—Out by end of year.

"Office of War Information—Has six months but may go sooner.

"Office of Economic Stabilization—Headed for consolidation soon with Office of War Mobilization and Reconversion.

"OWMR—Set up by Congress to continue through June 30, 1947.

"War Labor Board—Few months at most; functions to be taken over by Labor Department.

"WPB—Assigned an important reconversion role by President Truman; may be in business several months.

"OPA—Legislation carries it through June 30, 1946. Main job will be holding price line; with most rationing slated to end soon.

"Office of Defense Transportation—Already trimming; will shut down completely as soon as remaining travel and few other restrictions lifted.

"War Man-Power Commission—Its job-finding functions due to be taken over soon either by Labor Department or a new welfare department.

"War Shipping Administration—Its affairs probably will be taken over by Maritime Commission before long.

"Foreign Economic Administration—May be absorbed by State and Commerce Departments before many weeks.

"Office of Scientific Research and Development—Director says it will be liquidated soon.

"Smaller War Plants Corporation—Congress expected to shift it to Commerce Department in few months.

"Fair Employment Practices Committee—Legislation continues it through next June on reduced budget.

"Office of Alien Property Custodian—May be around for years to handle seized property, patents, etc."

President Truman's Report to Congress On Lend-Lease; Objectives Realized

In a report on lend-lease operations sent to Congress on Aug. 30 President Truman, commenting on the $42,020,779,000 lend-lease aid extended by the United States to its Allies up to July, stressed three things which the United States received as being more important that a dollar basis settlement. These are, the Associated Press stated:

1. Victory over Germany and Japan.

2. More than $5,600,000,000 through last March in reverse lend-lease.

3. A commitment from all nations receiving lend-lease to join in organizing post-war international trade on the basis of lowering barriers.

It was noted that the President has ordered lend-lease operations halted, effective on V-J Day, and already has cut off requisitions for supplies which formerly would have been ordered under the mutual aid program.

Meanwhile, arrangements are being worked out with lend-lease countries to switch their commerce over to a peacetime basis, American officials will begin conversations with a British delegation next week for some sort of credit substitute.

On the matter of final settlement the report stated, according to the Associated Press:

The overwhelming portion of lend-lease aid which now totals over $42,000,000,000 has been directly consumed by our Allies in the war. And it continued, that if this huge debt were to be added to the enormous financial obligations already incurred by foreign governments, the effect would be disastrous on our trade with the United Nations and "hence among production and employment at home."

For years, the Associated Press pointed out, there has been talk of repayment "in kind." That meant that if the United States lend-leased tanks, trucks or machine tools to a country which had some left over after the war, the return of those left-over articles could be requested.

However, top officials said there was no thought of any sizable requests along this line. Such action, they added, would only mean adding to the surplus of munitions and war production materials already building up in this country.

A statement bearing on the report came from Secretary of State Byrnes on Sept. 1, in which he indicated that there is no justification for the assumption that all lend-lease debts are to be cancelled. Associated Press advices from Washington bearing on what Mr. Byrnes had to say were given as follows in the "Wall Street Journal" of Sept. 1:

Secretary of State Byrnes stated flatly that the United States is not seeking dollar payments in settlement for Lend-Lease.

He said formal settlements are still to be worked out with foreign governments.

Dollars for payments are not available "to our debtors," Mr. Byrnes said in a statement issued by the State Department.

The statement, the Department said, was prompted by a question based on President Truman's Lend-Lease report to Congress, in which the President in effect gave notice that the costs of Lend-Lease might as well be written off the books.

The question as released by the State Department was this:

"In the light of the recent Lend-Lease reports, are we to assume that all Lend-Lease debts are to be cancelled and the only Lend-Lease settlements required are settlements for shipments unused or undelivered at the close of the war?"

Mr. Byrnes' answer:

"There is no justification for that assumption. Hasty generalizations should be avoided. Nothing more should be read into the recent Lend-Lease report than is written there. The President made no statement amplifying that report. The report set forth factors to be considered in connection with the settlements. Those settlements are for future determination.

"The purpose of Lend-Lease was to win the war and to win the peace. In the settlment of Lend-Lease we are not seeking paper contracts to pay dollars which will not be available to our debtors. But that does not mean that there are no Lend-Lease settlements to be negotiated."

One speculative explanation for issuance of the statement was that Mr. Byrnes sought to clear the air preliminary to conversations with British economic officials due here next week to work out new peacetime credits or other measures to replace Lend-Lease to Britain. The United States in these conversations intends to insist on a breakdown of many British trade restrictions and evidently will base its argument on the Lend-Lease agreements for post-war free trade.

President Truman's report to Congress on the operations under the Lend-Lease Act to June 30 was transmitted in a letter in which he said "the great task of lend-lease has now ended," adding that "the programs of lend-lease to our Allies are being terminated in an expeditious and orderly manner, subject to military needs for the movement of troops or for occupation purposes."

It had previously been made known that the Allied nations had received on Aug. 20 official notice of the end of America's Lend-Lease program.

The following is President Truman's letter to Congress, accompanying the report, according to the text given by the Associated Press:

"To the Congress of the United States of America:

"I am transmitting herewith the twentieth report of operations under the Lend-Lease Act for the period ending June 30, 1945.

"The costliest, bloodiest and most destructive war in history has resulted in victory for the cause of decency. All peace-loving men are resolved and determined that the peace and freedom we have won at such tremendous sacrifices shall be preserved.

"With the defeat of the Axis Powers, whose ruthless plan for world conquest and enslavement came so close to succeeding, the United States has realized the major objective for which lend-lease aid has been extended. That objective, like the objective of our war effort as a whole, was the speeding of victory and the saving of American and other allied lives. Lend-Lease and reverse Lend-Lease helped to unite in a mighty and victorious fighting partnership the separate efforts of the combination of nations resisting the Axis aggressors. Each of our principal fighting partners has contributed to the pool of armed might in accordance with its full abilities and capacities.

"The great task of Lend-Lease has now ended. The programs of Lend-Lease to our Allies are being terminated in an expeditious and orderly manner, subject to military needs for the movement of troops or for occupation purposes.

"The United States is assisting in the relief and reconstruction of the war-torn areas of our Allies and in the establishment of world trade on the high level necessary to insure full and useful employment and production at home and abroad.

"To win the lasting peace for which we and our Allies have so bitterly and bloodily fought, we and the other United Nations are firmly resolved to establish in concert the political and economic conditions which are the foundation of freedom and welfare among the nations of the earth."

The President's report, the Associated Press stated, showed that to last July 1 total Lend-Lease amounted to $42,020,779,000. These advices added:

In addition, Lend-Lease goods amounting to $788,603,000 was assigned to commanding generals in the field. Thus the real total is somewhere near $43,000,000,000. This includes $20,691,000,000 worth of straight munitions shipments. The rest either was for munitions manufacture or for war-supporting civilian use, such as food.

The cost of Lend-Lease, the report showed, represents approximately 15% of the total United States war effort valued at $280,000,000,000.

Most of the exports went to the United Kingdom. These, exclusive of services, were valued at approximately $13,500,000,000. Russia was the next heaviest recipient with $9,000,000,000.

Of Russia the report said:

"Many of the munitions which we exported under Lend-Lease to the U. S. S. R. for the war against Germany were used by the Soviet armies in the war against Japan.

"When V-E Day was proclaimed shipments of Lend-Lease supplies to European Russia, with certain minor exceptions, ended. Lend-Lease aid to the Soviet Far East was continued."

Savings Bank Deposits Gain in Month of July

A net gain of $79,043,484 in savings accounts for the month of July was reported on Aug. 27 by Myron S. Short, President. of the Savings Bank Association of the State of New York. "This represents the 36th consecutive month in which savings deposits have increased during the war period," Mr. Short said, "and brings the total increase in new savings to the huge sum of $2,242,000,000 since Pearl Harbor." Mr. Short further stated:

"This is in addition to War Bond purchases through the 131 New York State savings banks of $1,084,000,000 since the War Savings Program started in May, 1941. Our people, the seven million savings bank depositors, are to be heartily congratulated for the magnificent part they have played in financing the war and in avoiding inflation. "Now that the peace with Japan has arrived and we look forward to the post-war period, those who have had the foresight to save know the comforting feeling of having a backlog in their savings accounts."

Mr. Short explained that some might have to draw upon these savings during the reconversion period, while others undoubtedly would use a part of their savings for the down payment on a home or to start a small business. "Many depositors have saved more than enough for either of these purposes. The average savings account now amounts to $1,182, while both deposits and number of depositors are at the highest level in savings bank history, and we are looking forward to a continuation of this trend." He added that "the officers and trustees of the savings banks urge strongly that everyone who can, continue to save regularly for future needs and so prevent a buying splurge before production has caught up with the demand."

Army-Navy Pearl Harbor Reports Made Public

President Truman made public on Aug. 29 reports of Army and Navy investigations of the Pearl Harbor disaster of Dec. 7, 1941, which plunged the United States into war. No indication was given of whether courts-martial will be asked, but the reports made it clear that the Army-Navy investigators do not feel court-martial proceedings are warranted.

Both President Truman and Secretary of War Stimson took sharp exception to the Army's Pearl Harbor Board's action in holding Gen. George C. Marshall, Chief of Staff, at least partially responsible for the blow, the Associated Press stated in its report from Washington of the announcements. The President told the special news conference which he had called to receive the reports that, in his judgment, criticism of General Marshall was "entirely unjustified."

Said the President, "The conclusion of the Secretary of War is that General Marshall acted throughout this matter with his usual 'great skill, energy and efficiency.' I associate myself wholeheartedly with this expression by the Secretary of War.

"Indeed I have the fullest confidence in the skill, energy and efficiency of all our war leaders, both Army and Navy."

The following are the conclusions and recommendations of the Army and Navy reports, as conveyed to the New York "Times" in a special dispatch from Washington, Aug. 29:

Army

The Japanese attack was daring, well conceived and well executed, catching the defenders unprepared to either meet it or minimize its destructiveness.

Extent of the disaster was due to the failure of the Commanding General of the Hawaiian Department, Walter C. Short, to adequately alert his command and the failure of the War Department to direct him to take an adequate alert or to keep him adequately informed on the American-Japanese diplomatic negotiations.

The action of Cordell Hull, then Secretary of State, in delivering his counter proposals to the Japanese negotiators on Nov. 26 was used by the Japanese as the signal to begin the war by the attack on Pearl Harbor.

Gen. George C. Marshall, Chief of Staff of the Army, failed in his relations with the Hawaiian Department to keep it fully advised of the tenseness of the situation, to send additional instructions when it appeared that Lieutenant General Short had misunderstood a message and had not adequately alerted his command for war, to give General Short on the evening of Dec. 6 and the morning of Dec. 7 the critical information indicating an almost immediate break with Japan, and to investigate the readiness of General Short's command between Nov. 27 and Dec. 7.

Maj. Gen. Leonard T. Gerow, Chief of the War Plans Division of the General Staff, failed to keep General Short adequately informed by making available to him Army Intelligence reports on the impending war situation, to send him a clear, concise directive on Dec. 7, to realize that the state of readiness reported by General Short was not a state of readiness for war, and to take the required steps to insuring the functioning of the Army and Navy in the manner planned.

General Short failed in his duties: To place his command in a state of readiness for war, to attempt or reach an agreement with the Navy leaders to implement joint plans, to inform himself of the long-distance scouting conducted by the Navy and to replace inefficient staff officers.

The Army Report made no recommendations.

Navy

Admiral Husband E. Kimmel, Commander in Chief of the Pacific Fleet, and Admiral Harold B. Stark, Chief of Naval Operations, failed to demonstrate the superior judgment necessary for exercising command commensurate with their rank and assigned duties.

It recommended that neither Admiral Kimmel nor Admiral Stark, both now retired, hold any Navy position which requires the exercise of superior judgment.

Enemy War Secrets Open to U. S. Industry

President Truman, in an executive order, has taken steps to make industrial information, including patents, seized from the enemy during the war, accessible to American industry, subject to the requirements of our national military security. Discretion as to release of the enemy secrets has been placed under the jurisdiction of the War Mobilization and Reconversion Board.

The President's order, according to the Associated Press which reported the announcement from Washington, Aug. 27, gave no details on the information now in possession of this country, but the Office of War Information, in a report issued Sunday, Aug. 26, declared some technological secrets combed from Germany by American and British scientific sleuths might "shortly make some American technical processes obsolete and outmoded."

The following is the complete text of the Presidential order, as given by the Associated Press:

"By virtue of the authority vested in me by the Constitution and statutes, as President of the United States and Commander in Chief of the Army and Navy, and in order to provide for the release and dissemination of certain scientific and industrial information heretofore or hereafter obtained from the enemy by any department or agency of this government, to the end that such information may be of maximum benefit to the public, it is hereby ordered as follows:

"1. It is the policy of this government, subject to the requirements of national military security, that there shall be prompt, public, free and general dissemination of enemy scientific and industrial information. The expression 'enemy scientific and industrial information,' as used herein, is defined to comprise all information concerning scientific, industrial and technological processes, inventions, methods, devices, improvements and advances heretofore or hereafter obtained by any department or agency of this government in enemy countries regardless of its origin, or in liberated areas, if such information is of enemy origin or has been acquired or appropriated by the enemy.

"2. The scope of the authority vested in the director of war mobilization and reconversion as chairman of the publication board and in the publication board by Executive Order No. 9568 of June 8, 1945, is extended to include enemy scientific and industrial information. The procedures outlined in Executive Order No. 9568, in so far as applicable, are extended to the declassification, release and publication of enemy scientific and industrial information.

"Nothing in this order shall be construed to limit or modify the power of the Secretary of War or the Secretary of the Navy to determine finally whether the national military security permits the release in whole or in part of enemy scientific or industrial information."

Declines in July in Factory Employment And Payrolls in New York State

Continued extensive lay-offs in war plants throughout New York State, severe cuts in the apparel industry because of seasonal factors, vacations and shortage of materials in some branches, and reductions in all major industries, with the single exception of food products, have caused a considerable decline in factory employment and in total payrolls during July according to Industrial Commissioner Edward Corsi head of the New York State Labor Department. According to the Department's advices Aug. 31, figures, based on final tabulations of reports from 3,200 factories throughout the State, collected and analyzed by the Division of Research and Statistics under the direction of Meredith B. Givens, show a net drop in factory employment of 4.1% and a decline in payrolls amounting to 5.5%. Payrolls decreased in every industry except food and petroleum. Average weekly earnings dropped from $48.76 in June to $48.06 in July. The advices further state:

During the past year factories throughout the State have experienced a net reduction of 11.2% in the number of workers employed and 9.1% decrease in payrolls, though average weekly earnings have advanced $1.13.

A continued reduction of nearly 5% in the metals and machinery industry in July, following a decrease of more than 5% in June, not only indicates the impact of V-E Day on war industries, but furnishes an index to decreases which may be anticipated as a result of the Japanese surrender, Mr. Corsi stated.

All of the war industries were affected by cutbacks, terminations, or cancellations of their contracts. The heaviest reductions in July occurred in aircraft, shipbuilding, munitions, communication equipment, and nonferrous metals, lay-offs ranging from 5 to 10%. Most steel mills reported curtailed activity with a net drop in employment. Payrolls were up, however, because of an increase in one plant. Cutbacks were noted also in the manufacture of scientific instruments, while there was a net increase in photographic goods. With many war plants working fewer hours, payrolls for the metals and machinery group dropped 5.1%.

Employment declined 11.2% in the apparel group, with substantial decreases in every branch except women's coats and suits, and millinery. Sharp reductions among establishments making men's clothing, and women's dresses were explained by vacations during the off-season and shortage of materials. Many firms closed entirely or operated with skeleton forces. Payrolls decreased 12.4% in the apparel group.

Very large increases in working forces and payrolls in canneries were largely responsible for gains in the food group of 8 and 7% in employment and payrolls respectively. Other contributing factors were substantial increases in the production of dairy products and beverages, with smaller gains in meat packing and miscellaneous food preparations. Sugar refineries and candy factories reported large decreases, while bakeries had small declines.

Employment losses on tobacco, textiles, lumber, furniture, glass, and abrasives were between 3 and 6%; decreases in paper, printing, chemicals and leather ranged from 1 to 2%. Payrolls dropped considerably in all of these industries.

New York City

An employment loss of 7.5% in New York City factories compared with a loss of only 1.6% in the remainder of the State was caused by substantial reductions in war plants and most branches of the apparel group, with smaller decreases in all other industries except petroleum. Payrolls dropped 8.8% in the City and only 2.9% upstate.

Layoffs in all war industries resulted in decreases of 5% in both employment and payrolls in metals and machinery. In plants making scientific instruments, employment decreased only 3.8%, but a cut in the number of hours worked caused a payroll loss of more than 21%.

In the food industry, relatively large lay-offs in sugar, confectionery, and bakery firms more than offset gains in other branches. A strike by newspaper delivery men caused decreases in the printing industry.

T. F. Woodlock Dies

The death of Thomas F. Woodlock, contributing editor of the "Wall Street Journal," occurred on Aug. 25 in his apartment at the Hotel Croyden, New York, after an illness of several weeks. The "Wall Street Journal" in its account of his career in its issue of Aug. 27 said, in part:

Mr. Woodlock was born in Dublin, Ireland, on Sept. 1, 1866, and was educated at Beaumont College, England. Later he matriculated at London University. After one year at the latter institution he became a clerk with a London brokerage firm, later joining his father and brother in the London Stock Exchange house of Woodlock Brothers.

In 1890 he began writing for the press as a "free lance." He migrated to the United States in January, 1892 and in September of that year joined the staff of the Wall Street Journal.

Mr. Woodlock became editor of this newspaper in December, 1902, but resigned the editorship in September, 1905, when he left to join the New York Stock Exchange firm of S. N. Warren & Co. In 1918 he went with the American International Corp. and was later its secretary. During several folowing years he wrote a daily column for the New York Sun. It was during this period, too, that he served as a director of the Pere Marquette and St. Louis & San Francisco railroads.

President Coolidge appointed Mr. Woodlock to the Interstate Commerce Commission in 1925, the Senate confirming his appointment only after considerable delay and his appearance before the Senate Interstate Commerce Committee to answer questions as to the fitness of a "Wall Street man" for the office. . . .

Mr. Woodlock resigned from the Interstate Commerce Commission in September, 1930, to return to The Wall Street Journal staff. His column on the editorial page—as the volume of letters and inquiries reaching this office abundantly proves—has long attracted a wide and attentive circle of readers throughout the country. He, naturally, played a large part in shaping the newspaper's editorial policy and giving it expression. He consistently opposed both deliberate and unconscious movements of a totalitarian slant, defending therefrom the dignity and rights of the individual. . . .

In 1943 appeared Mr. Woodlock's last book, "The Catholic Pattern"; its author was awarded the Laetare Medal by the University of Notre Dame as the outstanding Catholic layman of the year. He was a trustee of Manhattanville College of the Sacred Heart and had served other Catholic institutions in a consulting capacity for many years. Honorary degrees were conferred upon him by St. Francis Xavier College of New York City and Fordham University.

Dulles to Be Byrnes' Adviser in London

When Secretary of State James F. Byrnes goes to London for the meeting of the Big Four Foreign Ministers, which will start negotiations of the European peace treaties on Sep. 18, he plans to take with him as advisers John Foster Dulles, foreign affairs consultant to Gov. Thomas E. Dewey when he was Republican candidate for President, and Benjamin V. Cohen, a special dispatch to the New York "Times" from Washington stated on Aug. 29.

Mr. Byrnes also announced that Assistant Secretary of State James C. Dunn would be his alternate, during the meeting, and would remain in London to carry on the negotiations for the U. S. after the Foreign Ministers leave, probably about the end of September. The Secretary would not say who else would go to the conference for the United States, and Mr. Dunn refused to discuss the conference with reporters, but it is increasingly evident here that events of paramount importance to the future of Europe are about to be discussed in London, the New York "Times" continued.

With the importance of events in mind, Mr. Byrnes said that, while he would not take any Congressional leaders with him for what was clearly a technicians' conference, he would report to the Senate Foreign Relations Committee when he returned on developments during his stay there, and might even wait here until after Labor Day, when Congress reconvenes, in order to discuss the conference with his former colleagues in the Senate at that time.

The announcements about the London meeting, however, leave unanswered several important questions: The first is whether the United States intends to agree at the end of the consultations with the major Allies to support at the final peace conference the policy agreed on in the London talks. The second is whether any commitment or understanding will be reached in London before the executive branch of the Government has discussed the proposed settlements with the Foreign Relations Committee. A third is whether the London conference, like the Dumbarton Oaks conference, which was also "preliminary and exploratory," will also be closed to the press, as were the previous Big Three conference and the Dumbarton Oaks conference.

Unlike the San Francisco conference, the London conference has not been preceded by any detailed discussion by the American delegation on the policy we are going to follow at that conference. There have, of course, been innumerable studies of all the questions that will come up there, from the future of the Dardanelles to the possible ways of dealing with Trieste, but, as far as can be discovered, the entire American delegation has not been meeting in recent days on these questions.

The agenda for the conference are evidently headed by the Italian peace conference. Soon after the conference starts on Sept. 10, however, study groups may be put to work preparing the German terms and exchanging views on this and other questions.

The American proposal for the creation of international commissions to administer the internal waterways of Europe will also be discussed in London, though again it is said that all these matters will be dealt with in a "purely preliminary" way.

In spite of the emphasis that is being placed here on the exploratory aspects of the Foreign Ministers' Council, however, there is a growing conviction here that the victorious Allies have reached the negotiating point for the final settlement of the war in Europe. The understandings reached there will undoubtedly be "preliminary" in the sense that the Dumbarton Oaks understandings were preliminary; they could be changed but they will be supported jointly by the major powers and this support will undoubtedly determine the terms of the final settlement.

The State of Trade

The next decade will see the rate of progress in the South surpass that of any other section of the country, in the opinion of Robert M. Hanes, President of the Wachovia Bank and Trust Company, Winston-Salem, N. C., expressed in an article headed, "A Banker Appraises the South," appearing in the June issue of the bank's house magazine.

"No region in the country has had such a wide divergence of interpretation as has the South," says Mr. Hanes, "but if we apply a banker's appraisal, add up the South's assets on one side and its liabilities on the other, we shall be impressed by its tremendous net worth.

"Important among the South's assets are its raw materials, power development, climate, a stable and homogenous population and good transportation facilities.

"From 1900 to 1939 the South's industrial production gained 700%, compared with a national gain of 400%.

"In 1910 the banking resources were a little more than 3 billions; today they are more than 23 billions. In the same period savings deposits increased from a half billion to 3½ billions; life insurance from 3½ billions to more than 30 billions.

"On the liability side, we have relied too much on a one cash crop system, and have allowed our farm soil to deteriorate. This is being corrected by diversification and soil building programs.

"The freight rate structure has long been a retarding factor in the South. Nothing has happened in the past fifty years of such tremendous significance as the recent I.C.C. decision to correct these rate inequities. The results will not be immediate, but in the next five to ten years the South's progress will be tremendously accelerated by this decision.

"The South has not produced enough foodstuffs and clothing to supply its own needs. We must continue to raise the average per capita income of our people.

"We need more business and industrial leaders, constantly improving management to develop our resources and opportunities. Too many of our leaders have been lured away to other sections of the country.

"Recent trends in the South show that we are facing our problems realistically and preparing to meet the opportunities of the future.

"Farmers are rapidly getting away from the one cash crop system; dairying is expanding rapidly and farm mortgage debt has been greatly reduced.

"In the textile industry we are producing many new types of high quality product and the next decade will see tremendous progress in the modernization and diversifying of our textile industry.

"The fact that our workers rapidly learn skilled trades, and live mostly in small towns, is attracting many new industrial plants from the large congested eastern cities.

"We are making an effort to overcome our handicaps in research, education, and technical training.

"The South has made great progress. We still have far to go to equal the economic attainments of some other sections of the country, but I predict that our rate of progress in the next decade will surpass that of any other section."

Steel Industry—The steel industry last week was bringing to completion the mechanics of handling the avalanche of cancellations with which it has been confronted in the past few weeks, "The Iron Age" states in its current summary of the steel trade. It is expected that those mills which have suffered a curtailed steel output as a result of order difficulty will be operating at a higher level.

Order cancellation volume a week ago approached pre V-J Day levels; however, most steel companies have cleared order books of all business which has been canceled and have prepared new schedules which will go into effect this week on finishing mills.

In view of a severe drop, in some cases a wiping out of steel plate backlogs as well as a reduction in unfilled structural orders, some of the larger steel firms, the magazine notes, were forced to cut back steel ingot output last week to a greater extent than others. This situation is a temporary one until steel mill schedules reflecting a good product mix have been established.

The magazine points out that contrary to some reports in the industry large quantities of steel for non-rated orders will not be immediately available. The outlook for October indicates an easier situation. Since the Controlled Materials Plan will not come to an end until Sept. 30, much rated business awaiting delivery before that time will be shipped. With the substitution of a new limited priority system at the end of September, a fair amount of rated business will continue due to a good order volume the past week.

The obligation of larger companies to ship small nonintegrated steel mills a stipulated tonnage of semi-finished steel under WPB orders each month may delay a much greater volume of nonrated business. This type of order is known as "further conversion," and during the war was for the purpose of making sure that smaller companies manufacturing finished steel products from semi-finished material would have adequate supplies. Part of this system, "The Iron Age" adds, may be retained by Washington for awhile and labeled as an aid to "small business."

Despite the flood of cancellations recently there appears to be little hope for large-scale deliveries of cold rolled sheets much before the fourth quarter. Sheet demand for the fourth quarter appears to be well in excess of capacity with producers instituting an allotment system of their own to spread available tonnage among customers. This action, the magazine says, will tend to return purchasing relationships to a prewar basis and to eliminate dislocated buying brought on by the war.

Products virtually untouched by cancellations, according to steel producers, included rails, track accessories, concrete bars, tin mill products, skelp and some stainless steel. Alloy steels on the other hand were hard hit by cancellations resulting in electric furnaces operating far below rated capacity.

Wire producers having cleared up cancellations are operating on a normal basis and anticipate a heavy increase in railroad and public utility purchases.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 74.9% of capacity for the week beginning Sept. 3, compared with 74.5% one week ago. This week's operating rate represents an increase of 0.5% from last week's rate and is equivalent to 1,371,900 net tons of steel ingots and castings, compared to 1,364,600 net tons last week and 1,710,700 tons one year ago. A month ago the industry

was at 87.9% of capacity and 95.1% one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Aug. 25, 1945, totaled 853,426 cars, the Association of American Railroads announced. This was an increase of 200,594 cars, or 30.7% above the preceding week this year, which included V-J Day holidays, but 51,445 cars, or 5.7% below the corresponding week of 1944. Compared with a similar period of 1943, a decrease of 50,631 cars, or 5.6% is shown.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 4,116,049,000 kwh. in the week ended Aug. 25, 1945, from 3,939,195,000 kwh. in the preceding week. Output for the week ended Aug. 25, 1945, was 6.8% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 166,600,000 kwh. in the week ended Aug. 26, 1945, comparing with 166,500,000 kwh. for the corresponding week of 1944, or an increase of 0.1%.

Local distribution of electricity amounted to 161,800,000 kwh. compared with 154,400,000 kwh. for the corresponding week of last year, an increase of 4.8%.

Paper and Paperboard Production—Paper production in the United States for the week ending Aug. 25, was 95.4% of mill capacity, against 67.8% in the preceding week and 92.2% in the like 1944 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 99%, compared with 67% in the preceding week, and 94% in the like 1944 week.

Business Failures—Commercial and industrial failures in the week ending August 30 remained at 16, the same as in the previous week, reports Dun & Bradstreet, Inc. However, concerns failing exceeded the 14 in the comparable week of last year. This marked the second time in August that failures have shown a rise above the 1944 level.

Three-fourths of the week's failures involved liabilities of $5,000 or more. There were 12 of these large failures, one more than last week, and, as well, they exceeded the 8 in the corrsponding week a year ago. While large failures were one and a half times as heavy as in 1944, small failures involving liabilities of less than $5,000 were only two-thirds as high.

Manufacturing and retailing accounted for all except two of the week's failures. An equal number of concerns failed in each of these lines. In manufacturing, failures remained at the previous week's level and were more than twice the number of manufacturing failures in the comparable period last year. On the other hand failures of retailers rose sharply from a week ago, more than doubling their previous number, but they were only slightly higher than in the same week of 1944.

Three Canadian failures were reported as compared with 1 in the previous week and none in the corresponding week of 1944.

Wholesale Commodity Price Index — With commodity price fluctuations uncertain during last week, the Dun & Bradstreet daily wholesale commodity price index moved within a narrow range. The index closed at 175.09 on Aug. 28, as against 174.54 on Aug. 21, and with 172.06 at this time last year.

Grain markets were generally steady last week although hedge selling developed at the close and grain prices declined fractionally. Weakness in cash wheat was the cause for the last minute drop; the Commodity Credit Corporation again reduced the price it will pay for Spring wheat. Trading in wheat futures was restricted. Hedge selling in oats was large, with the movement of the new northwestern crop heavy; prices tended upward. Corn offerings were small with July having the most strength.

Trading in rye influenced largely by Government demand moved irregularly upward during the week. Barley prices have remained generally steady; cash markets were weak. In livestock markets, choice and good grade steers sold strong with prices firm; common, medium, and low—good grades closed steady and prices were slightly lower. Hog markets remained unchanged.

Cotton prices moved in a wide range last week. Trading was influenced by price uncertainties, reconversion problems, and the scarcities of offerings with the spot market quiet.

Business in the Boston wool market was spotty last week awaiting Governmental action on the price of domestic wools. Uncertainties as to what will happen to surplus wool restricted activity in both foreign and domestic grades. Somes foreign wools were purchased in the early part of the week, but business fell off sharply to almost a standstill. Australian wool was still in demand. The current supply of wool piece goods for civilian garment production remains tight despite military cancellations. Most mills are completing the Government contracts on which work had been started.

Wholesale Food Price Index Declines In Week—The wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped 2 cents to $4.06 in the week ended Aug. 28, 1945. While this is the lowest level this year, the current figure is 1.5% above the $4.00 of the corresponding 1944 week. Advances during the current period included wheat, rye, oats, and steers. Decreases appeared in flour, barley, eggs, potatoes, sheep and lambs.

The index represents the sum total of the price per pound of 31 foods in general use.

Retail and Wholesale Trade — Despite country-wide lay-offs, retail trade last week sustained moderate increases over the previous week and a year ago, according to Dun & Bradstreet, Inc. Many released workers were reported eager to replenish their war depleted wardrobes and homes. Purchases of back-to-school apparel, both the juvenile and college types, were heavy. A few retailers with large stocks of wartime merchandise cut prices drastically in an attempt to reduce inventories before peacetime quality merchandise appears. Food volume increased substantially over a year and week ago; supplies eased all along the line.

Anticipated removal of the 20% excise tax on furs and handbags has appreciably reduced sales in these lines. Consumers expressed willingness to hold off purchase indefinitely. Transactions were large in all types of cloth coats. In children's apparel, skirts and sweaters experienced the largest demand; stocks of cotton dresses above the 14 year level were virtually nonexistent. Sales of men's clothing increased as the Army discharge program progresses.

Dollar volume of housefurnishings declined slightly from last week; inventories were short and demand high. Sheets and sheeting continued scarce. The few metal items that have already appeared in hardware stores were immediately snapped up by anxious consumers.

In the food market meat supplies are gradually increasing. The quantity of corn, peaches, and tomatoes was up appreciably; prices hit a seasonal low. Canteloupes and honeydew melons were abundant. Blueberries, huckleberries, and blackberries remained scarce and expensive. Shipping difficulties have kept oranges and other citrus fruits less plentiful. Potatoes, onions, beets, and squash were also in good supply and lower priced. Retailers reported that supplies of sugar were up slightly.

Retail dollar volume for the country was estimated 6 to 10% over last year. Regional percentage increases were: New England 4 to 8, East 7 to 11, Middle West 6 to 10, Northwest 7 to 12, South 3 to 7, Southwest 2 to 7, Pacific Coast 4 to 9.

Wholesale trade was up moderately from last week and was about 1 to 5% over last year. Demand was strong for most commodities, particularly those which had been unattainable during the war. Buyers continued their cautious policy of careful selection. Uneasiness concerning changing Government regulations has been reflected in retailers' fear of stocking too far in advance. Requests for fall apparel were numerous.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 25, 1945, increased by 6% and compared with a decline of 16% (revised figures) in the preceding week. For the four weeks ended Aug. 25, 1945, sales increased by 7%, and for the year to date by 12%.

The influence of terminated Government restrictions and the progress of reconversion was felt in the wholesale markets here in New York last week. Retailers holding to the belief that trade prospects will continue good for the months immediately ahead are seeking merchandise. Indications at present, however, point to the fact the day of long-term deliveries is drawing to a close.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Aug. 25, 1945, increased by 4% above the same period of last year. This compared with a decrease of 24% in the preceding week. For the four weeks ended Aug. 25, 1945, sales rose by 9% and for the year to date by 13%.

Commemorates Woman Suffrage Anniversary

Commemorating the 25th anniversary of ratification of the women's suffrage amendment, President Truman made a public statement in which he called the nation's home front in the war as "truly a battle front where women bore a major part of the struggle," the Associated Press reported from Washington on Aug. 25, the eve of the anniversary, and quoted the following as the President's statement:

"Aug. 26, 1945, will mark the twenty-fifth anniversary of the ratification by the states of the amendment to the national Constitution granting suffrage to women.

"Less than a century ago women in the United States were denied the right to vote and were classed as inferiors under the law. In 1920 there occurred one of the great events in our history—the Federal Constitution was amended to extend suffrage to the women of our country. Since that time the movement to raise the status of women in all of the fields has gone steadily forward.

"In the total war through which we have just passed the home front has been no mere phrase, but truly a battle front where women bore a major part of the struggle.

"Women walked into the pages of today's history as good citizens and good soldiers.

"To praise women for making intelligent use of the ballot, or for doing their share in winning the war, would be an act of condescension the very opposite of that equal respect symbolized by the suffrage amendment. But on the twenty-fifth anniversary of the 19th Amendment, it is fitting that we, men and women alike, should give thanks for an America in which women can stand on the level footing of full citizenship in peace and in war."

Banks Ready to Meet Industry Credit Needs

Federally and State chartered banks of the United States stand prepared and determined to provide the credit needed by all competent individuals and concerns, both large and small, for all constructive purposes, and to do so promptly and with a minimum of red tape, according to Hugh H. McGee, Chairman of the Credit Policy Commission of the American Bankers Association, who is also Vice-President of the Bankers Trust Company of New York. Observing that "we have won the war," Mr. McGee stated that "Our next and immediate problem is that of reestablishing our civilian economy promptly and enduringly. The sudden cancellation of war contracts may mean a substantial demand for contract termination loans to industry," he said. "In September, 1944, the American Bankers Association recognized this need and prepared to meet just such a condition as now exists. Following adoption of the Contract Settlement Act of 1944 by Congress, the Association published and circulated to the banks a manual which provides them with complete information and a procedure for making contract termination loans to industry. The T-loan procedure is streamlined and simple. It is based upon experience gained during the war period when banks financed industry to obtain maximum production by use of V-loans," he added.

"About 1,400 banks participated in the V-loan program which largely served the prime and first-tier subcontractors. Much decentralization of industry was accomplished during the war period, and small factories making war materials were located in almost every village and hamlet of the country. These communities are desirous of keeping these small industries, and an effort will be made to use their tools and skills in peacetime. It is believed that the majority of the contractors requiring T-loans will be these subcontractors, and, consequently, more banks will be called upon to participate in this important program.

"The Baruch-Hancock study and subsequent legislation have set the pattern for a prompt and equitable contract termination procedure. While Government contract agencies are doing an excellent job in the settlement of war contracts, the suddenness with which the war against Japan ended may overtax their facilities. Many of these smaller subcontractors have most of their working capital invested in inventories and partially completed products and may need immediate funds to finance production of peacetime products.

"The banks of the country, as a result of studies and work in the field, have greatly intensified the cooperative efforts of local banks with their correspondent banks and have devised new credit techniques which will not only be important in the immediate period of reconversion but will continue to serve the nation after the emergency is past. Among these is the bank credit group. Such 'Regional Credit Pools' are organized in practically every state with aggregate resources in excess of $6 hundred million and are prepared to back up local and correspondent banking activities in the field of credit. This has been an effort of banking to prepare itself to implement the program of American business in its prompt return to a sound economy of peace and the full employment of our people.

"By such cooperative effort, business leadership is demonstrating the way in which we can achieve the objectives of the war and above all justify in some degree the great sacrifice of those who fought—and, in a great many cases, made the supreme sacrifice."

Commitments and War Loans by 416 Banks

War production loans to manufacturers of the nation and commitments for such loans reported as outstanding on June 30, 1945, by 416 of the country's larger banks aggregated $7,575,860,332, according to the semi-annual survey of the American Bankers Association released for publication on Aug. 24. War production loans and commitments dropped more than $1 billion in the mid-year, compared to the total of $8,628,597,227 reported as outstanding on Dec. 30, 1944, by 429 of the country's larger banks. The survey is conducted by the Association by means of a questionnaire addressed to the 500 largest banks. Of these, 416 supplied data on their war production loaning activities as against 429 in the previous survey which reported on outstandings Dec. 30, 1944. The Association further states:

"Of this $7,575,860,332 of total war loans and commitments by banks outstanding on June 30, $7,316,843,246 represents loans and commitments for war supplies and materials and is a decrease of approximately $1 billion from the $8,307,266,875 reported in the previous survey. The lower figure reflects the defeat of Germany. The remaining $259,017,086 represents loans and commitments for building of war plants and factories, compared with $321,330,352 for the same purpose as of Dec. 30, 1944."

In a letter to the 500 participating banks, Walter B. French, Deputy Manager of the Association, said: "The end of the war brings these surveys to a close. A vast amount of information has been compiled which will be of immeasurable value when a record is needed of banking's participation in the war."

Mail to Switzerland

Postmaster Albert Goldman announces that information has been received from the Post Office Department at Washington, that mail service to Switzerland has been extended to comprise all classes of regular mails, that is to say, letters, post cards, printed matter in general, printed matter for the blind, commercial papers, samples of merchandise, and small packets. The advices state:

Printed matter (except printed matter for the blind), commercial papers, samples of merchandise, and small packets are limited to one pound per package. Printed matter for the blind may weigh up to 15 pounds 6 ounces. Articles prepaid for dispatch by air mail are also limited to one pound in weight.

Ordinary (unregistered and uninsured) parcel-post service to Switzerland is resumed, subject to the conditions in effect prior to the suspension of the parcel-post service, except that each parcel must have affixed three customs declarations (Form 2963). The parcels will be subject also to the following restrictions: Only one parcel per week may be sent by or on behalf of the same person or concern to or for the same addressee; the weight of each parcel is limited to 11 pounds, the length to 18 inches, and the combined length and girth to not more than 42 inches; contents are limited to non-perishable items which are not prohibited in the parcel-post mails to Switzerland.

The postage rates applicable for mail and parcel-post are those in effect prior to the suspension of the service.

The licensing requirements of the Foreign Economic Administration are applicable to mail and parcel post for Switzerland.

Labor Leaders Comment On "Full Employment" Bill

(By WILLIAM GREEN)

(Continued from first page)

powerful appeal to those who have borne the burdens of unemployment:

1—To foster free competitive enterprise through the investment of private capital in trade and commerce, and

2—To establish the right of all Americans able to work and seeking work, to useful, remunerative, regular and full-time employment.

The bill directs that the President prepare a National Production and Employment Budget. This Budget shall set forth—

1—The estimated size of the work force.

2—The estimated volume of investment and expenditure by private enterprise, consumers, federal, state and local governments necessary to produce the gross national product necessary to maintain full employment.

3—The estimated prospective volume of prospective investment and expenditure.

In case the National Budget indicates a deficit in the expenditure and investment program, the President is directed to prepare recommendations for encouraging non-federal investment and expenditure as well as recommendations for legislative plans to overcome the prospective deficit. Such a program may include but need not be limited to "current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure."

The result would be a program of plans and specifications for needed public works for those not employed by private industry. An orderly program of needed public works is an end in itself and a powerful stimulant directly to the construction industry and indirectly to others. The desirability of planned public works to supplement private investment and check trends toward deflation has long been discussed with approval. It was urged during the depression of the '30's. Constructive action on the proposal is overdue.

Planning and timely initiation of public works are essential to "full employment" but do not constitute the main driving power. "Full employment" will come mainly from placing responsibility on private industry and requiring reporting on stewardship. As the right of persons to employment becomes a moral obligation upon those in positions of responsibility, its responsibility can be pressed home.

The initial step in establishing responsibility of private industry is to amend Section 4 (c)—page 8, line 9, by substituting "shall" for "may." The section would then provide for regular consultation between representatives of the functional groups of private enterprise and the President in reviewing current situations and in making plans for "full employment," and would read as follows:

> The President shall establish such advisory boards or committees composed of representatives of industry, agriculture, labor, and State and local governments, and others, as he may deem advisable, for the purpose of advising and consulting on methods of achieving the objectives of this Act.
>
> Private enterprise operates within controls which result in expansion when profitable, and contraction when profits decline. Workers are free to seek suitable employment most advantageous to them and to promote their interests through collective action. Over the years experience has pointed out that the right to carry on business is effective only in an orderly society and consequently entails the obligation to respect the rights of others. We have long discussed the economic and social evils resulting from unemployment and considerable progress has been made in stabilizing some industries. We have accepted the principle of social insurance to provide incomes for workers involuntarily unemployed. But these measures are not adequate to provide "full employment" under the definition proposed. There is needed a new sense of responsibility on the part of private industry and willingness to cooperate to the end that no one able to work and seeking work shall be denied opportunity to earn a living. There must be willingness to get the facts and face their consequences by individual managements as well as industries, so that exercise of the right to do business shall be accompanied by obligation to plan for sustained employment for the work force at levels of pay enabling workers to have rising standards of living. For this purpose we need the basic economic statistics which we have repeatedly asked Congress to authorize.
>
> The National Budget which the President would be directed to prepare would aid in pressing home the responsibility of private enterprise and in disclosing next steps.
>
> Unions have their responsibility for leadership in this new endeavor and for getting incorporated in union contracts wage rates and hours standards that would enable workers to have the purchasing power to sustain production at "full employment" levels. To stabilize production at lower levels would lower national income and result in unemployment.
>
> Present day demand for "full employment" embodies many of the ideals and desires of the past when we talked of good business, sustained prosperity, our high wage economy, etc., and adds to them the idea of mutual progress, integrated effort, and the desire to banish fear of unemployment.
>
> Unemployment results from many causes. Under-investment and under-consumption are two important factors. Others, even more difficult to deal with, are unemployment due to technical progress, population changes, great social changes, like changes in transportation, communication etc. We can deal with unemployment due to these causes only by studying the facts of each industry and anticipating forces making for the industrial changes affecting employment. Our dependence for assistance with unemployment due to these causes is planning for the maintenance of scientific research and effective use of new information by industries. The United States now leads the world in making effective industrial use of technical progress.
>
> Steadily rising productivity has always characterized American industry. The genius of American management, combined with the skill and effort of American workers, has given our country leadership over the entire world in production per manhour. This rising productivity makes our high standards of living possible. American workers earn the high wages they receive.
>
> Labor Department figures show how the steady increase in production per manhour, together with collective bargaining has made it possible to raise workers' wages while at the same time prices were reduced and consumers received better quality at lower cost. The Department's figures show that over the 17 peacetime years, from 1923 to 1940, production per manhour in American factories rose 83%. This astonishing increase provided the income to raise the workers' average hourly earnings 22% during this period. At the same time unit labor costs were reduced by 34%. The reduction in labor costs made it possible to reduce wholesale prices of finished manufactured goods 18%, so that consumers benefited by lower prices, and a margin was left for profit to American business. Thus, in the period between two wars, workers' increasing productivity benefited workers, consumers, and managements. The decrease in prices was reflected by reduction in living costs generally, and workers as well as others benefited because their increased pay envelopes would buy more. Their "real" wages increased 49% from 1923 to 1940.
>
> Normally, we may expect productivity to increase on the average by about 2½ to 3% each year. This has been the rate throughout recent years. During the war, far greater increases in productivity were achieved when management and workers threw all their energies into production improvement to reach Army and Navy schedules. For instance, in the brief period of 11 months, from February to December, 1944, the manhours required to produce a victory ship were cut in half. An amazing record was achieved by the aircraft industry. From the beginning of the program up to February, 1944, time needed to construct military aircraft was reduced 90%. In munition industries as a whole, manhour production increased 47% in the 21 months from January, 1943, to September, 1944.
>
> Startling new techniques of production were developed during the war. Many of these techniques will be adapted to peacetime production and used in civilian industries. Immediately after the war industry will be retooling, replacing worn out machinery, and incorporating new production methods. These measures will so increase productivity that experts believe the first three post-war years will bring a 30% increase in production per manhour in American factories.
>
> We cannot hope for "full employment" in the United States unless we plan to direct this dynamic force of increasing productivity so that it will create higher consuming power, higher living standards, and increasing markets for our industries.
>
> Because of increasing productivity and increasing population America's industries will have to furnish about one million new jobs every year to provide "full employment." We will have to shorten the workweek to create some of these new jobs. Every year we will have to increase wages so that workers will have enough income to purchase their proportionate share of the increasing goods and services they produce. Increasing workers' income will mean an expanding market for American business, an opportunity for new industries to bring new products and services to the American people. It is vital to remember that workers, buying power forms the great economic base of our home market. People with incomes of less than $4,000 a year have 70% of all consuming power in the United States. It is more profitable for a businessman to sell one suit of clothes to each of 47 million low income people with incomes under $4,000 a year, than to sell three suits to each 3½ million people with incomes of more than $4,000 a year.
>
> A glance at the past shows what this great force of rising productivity can mean to Americans in terms of a better life. Electric refrigerators which came on the market about 1928 sold for about $400 apiece. In 1942, a much better refrigerator was selling for $100 to $150. Yet workers in the industry had increased their weekly pay substantially in those 14 years. Rising productivity and improved industrial techniques have reduced the price of automobile tires by 75% since 1914, and in addition today's tire gives 40 times the service of the tire made 30 years ago. Workers in tire factories today receive 300% above those of 1914. The 1914 automobile cost $1,115. Before the war a much better car cost $738. Yet the average automobile worker who received $15 for a 51-hour week in 1914 had raised his weekly pay to $30.50 by 1938 and reduced his hours to 33 per week. Management in these great industries has received its full share of profits.
>
> This increasing productivity has benefited consumers, workers and businessmen. As we look to the future, we know that our main problem will be to raise consumers' buying power so that a mass market may give business its opportunity to go forward and workers may steadily raise their living standards.
>
> Technological progress need not contribute to depressions and unemployment if necessary adjustments are made to bring our economy to balance at higher levels.
>
> We are already utilizing information given us by experiments of chemists to produce substitute materials to overcome handicaps due to natural resources.
>
> We are on the verge of a new era in which we shall apply atomic energy—a revolution that will affect the whole structure of our economy. We shall need every possible protection against unemployment and waste of our human resources. The National Production and Employment Budget proposed by this legislation would provide us with a tool for dealing with some of these future problems. It will give us what Ernest Bevin calls a human budget or a national balance sheet indicating our success in providing useful opportunity for all citizens. But just as cost accounting must be supplemented and interpreted by production accounting, so our national balance sheet must be supplemented by the kind of national plans and policies that would result from consultation and cooperation between Congress, the President and his administrative officers and the representatives of the major functional groups of private enterprise.
>
> "Full employment" involves much more than information and plans for investment and expenditure. There must be equal concern for all that makes for efficient business: progressive management, effective application of engineering experience, informing production accounting coupled with cost accounting, continuous application of results of scientific research, sustained efforts to coordinate the creative ability of the whole work force, constant study of markets, knowledge of the development of competitive materials and components, so as to anticipate and prepare for technical change. These and other considerations are already elements in the field of efficient management. The problem of achieving high levels of employment with high national income involves more than the development of new machinery; it necessitates the cooperation of all groups for the utilization of experiences and information in order to reach and maintain that objective—with an over-all moral responsibility for all groups concerned.
>
> The driving force for a high wage, high standard of living economy will come most effectively from the individuals directly concerned — management and unions in a free economy.
>
> The factual data included in the President's National Budget on production, employment, labor force, national income and its distribution, investments and its expenditures, will furnish the basis for planning by private industry, but the function of planning must remain the responsibility of management. Management, in turn, should consult with unions on problems of production, and has much to gain by establishing and maintaining machinery for union-management cooperation for that purpose. Cooperative relations can rest only on a foundation of collective bargaining, fostered by confidence of access to the machinery for justice. Any effort to restrict or restrain established rights and functions of either management or labor, would endanger realization of our objectives.
>
> Plans for "full employment" should build on the practices, procedures and methods which have made the United States the world's most powerful nation economically, with the world's best paid and most productive labor force. The basic principles are, as we know, planning and responsibility by individual enterprises, with competition in domestic and foreign markets, collective bargaining between managements and free trade unions. There must be acceptance of mutual rights with cooperation for mutual progress.
>
> Action on this bill would constitute the initial responsibility of Congress, to be supplemented by other legislation needed to provide a national economic environment favorable to "full employment."
>
> There must be guarantees to agriculture to enable the farmers to produce needed amounts of food and to maintain rising levels of living in agricultural communities.
>
> Congress should act to expedite disposition of war surplus goods in ways to promote "full employment."
>
> Congress should guarantee a high level of scientific research in the interests of national progress and security.
>
> Congress should raise the minimum rate in the Fair Labor Standards Act.
>
> Congress should institute a national housing program, assuring high and sustained levels of public and private construction so that all citizens may be well housed, with opportunities for home ownership.
>
> Congress should enact legislation to provide for the stimulation of planning and construction of community facilities such as hospitals, health centers, schools, roads, airports and other improvements.
>
> Congress should promptly enact emergency unemployment compensation legislation requested by the President as necessary to protect workers and maintain national buying power.
>
> Congress should maintain the United States Employment Service at the Federal level to provide for efficient service to workers and industries for the maintenance of "full employment."
>
> Congress should enact legislation providing Federal aid for all schools to equalize educational opportunities and services for citizens in all localities and to make such appropriations effective by aid for all children needing it.
>
> Congress should provide a program for the development, conservation and use of our national resources.
>
> Congress should develop and maintain fiscal and tax policies conducive to "full employment."
>
> In our efforts to establish and

Labor Leaders Comment On "Full Employment" Bill

(By JOHN L. LEWIS)

(Continued from first page)

and the automatic and semi-automatic machine.

The atom is being broken down, not by human hands, but by the devices of Man and his mechanical and scientific enterprise, and the great work of extracting that power from Nature's storehouse not performed by human hands but by the devices that originate in the minds of the men of genius. So we are operating now with a constant improvement in all our devices, utilizing power, and men press buttons and pull levers and perform various tasks, so that the power and machinery do the work.

In consequence, we are making each pair of human hands in industry more efficient. Take the mining industry with which I am associated. Its efficiency during World War Number Two as compared with World War Number One is probably a 40% improvement on the average. Less men produce more coal. We are producing now six tons per day per man employed in and around the industry, as against the British production of one ton per day or less per man employed in the industry, at a cost of less than one-third, f.o.b., per ton, and with a wage structure that is three times as high as the British wage structure on the day or weekly basis. There is the record of American industry in one industry that is a vital and basic industry.

That efficiency and that progress reflects itself in our entire economy and commercial establishment. So, as a result, quantitatively in the years to come, less men are going to be able to produce more goods, and it is a conservative estimate now to believe that in the first two years following the war that the productivity of the American plant and equipment and American workman will exceed by more than one-third the productivity of the same number of workmen in the years preceding World War Number Two.

I emphasize this fact in order to show you that if you once achieve full employment with this mighty productive machine, with our men of genius still sitting up at night to devise new formulas and new plans and new machines, that the productivity of that plant and that manpower will be so great that inevitably the warehouses and shelves will become full and the market will be glutted, because the buying power on the part of the population and their ability to consume the products that they buy will not keep pace with the constant increase of productivity. In consequence we will be faced with a reaction.

So inevitably I suggest that it is vitally necessary for the Congress and the Government, in any consideration or adjustment of the employment opportunity question in the future, to have equal power to deal with the number of productive hours under which American industry will operate. Certainly the question of providing jobs and assuming the responsibility that Senate bill 380 assumes for the Government could not be lightly done unless the Congress did have the power to say how long the wheels should operate and how long human hands shall produce in a glutted market.

So, in consequence, the United Mine Workers have prepared a suggested amendment for the consideration of the committee. It is very brief, and we think broad enough to give to the Congress at least the power to consider these problems and to take such action as might be deemed wise in the circumstances.

We suggest to amend S. 380 in section 2 by adding after subsection (c), right down at the bottom of page 2, below line 24, a new section, number (d) (1), as follows:

"In order to maintain a reasonable minimum standard of living necessary for health, efficiency, and general well-being of the workers, it is the responsibility of the Federal Government to adopt from time to time policies and programs looking to the adjustment and shortening of the hours of labor, thus stimulating and stabilizing the national economy and the even flow of workers into industry."

Senator Taylor. Mr. Chairman, may I ask a question?

The Chairman. Surely.

Senator Taylor. You don't think it is necessary for the Congress also to legislate regarding wages? Should we leave that to be settled by labor and industry?

Mr. Lewis. Other than minimum wages that are now prescribed in the Fair Labor Standards Act of 1938. Certainly I don't think that the Congress should undertake to fix the wages of American workers if we want to maintain free enterprise in America. We cannot fix wages by law, we cannot have compulsory arbitration, and we cannot have the individual forced to mork under standards fixed by the Government if we are to preserve free opportunity and free enterprise and a republican form of Government for the rest of the population.

May I point out with respect to this amendment that the words in the amendment, "a reasonable minimum standard of living necessary for health, efficiency, and general well-being of the workers," is lifted verbatim from the Fair Labor Standards Act of 1938. I merely call that to the attention of the committee.

The Chairman. This amendment does fix wages to the extent of increasing the minimum, is that correct?

Mr. Lewis. Pardon me, Senator?

The Chairman. You were talking about wages. It does provide for an increase in the minimum, is that right?

Mr. Lewis. That is right.

Now, following that amendment on page 2 it will probably be required to amend section 3 on page 5, after the word "wages" in the 15th line, by adding the one word "hours". It will then read, "Wages, hours, and working conditions."

I know of nothing of greater importance in considering employment opportunity than the question of lessening hours. There is no other way for the population of the country to have participation in the fruits of genius and the benefits of progress.

The mine workers are now working a 54-hour week in the mines of the country to supply the country with coal. Prior to the war we had a 35-hour-week wage agreement. But the miners never got to work 35 hours a week. The average employment time was 25, 26, or 27 hours a week. Now, under the stress of the Nation's requirement, production has increased and hours have been lengthened and the men are working the 54-hour week. Those that are not injured during the course of the week's employment or those whose physical stamina is sufficient to carry them through, work a 54-hour week.

With the coming of peace again, the restoration of normal, and the filling up of our shelves and warehouses with consumer goods, we will find that the market will not absorb that quantity of goods and certainly it will be necessary to reduce the working hours. The entire Nation is faced with that problem. In all our past history we have never been able to find foreign markets in which to sell more than 6 to 8% of our production. It is not reasonable to assume that the coming years in the immediate future will permit us to sell any greater quantity than that again.

So America is again faced with the necessity of finding her own markets, creating her own consuming power, and providing for a wage and an income for the working population of this country that will permit them to become consumers and buyers in the Nation's domestic markets. We have no other place to look. It is possible for us to organize our economy on that basis because we are constantly reducing the unit cost of production through the application of improvements and scientific achievements and new facilities.

Senator Tobey. And we want those to be a blessing instead of a curse.

Mr. Lewis. We want those to be a blessing, Senator, instead of a curse.

Senator Tobey. That is right, and it is our job to devise ways and means to do that.

Mr. Lewis. An invention that comes from an inventor's mind that does the work of 100 men and employes only two to run the machine, that merely furnishes a royalty to the inventor and a margin of profit to the manufacturer and destroys the buying power of 98 men becomes a curse instead of a blessing. We must pass that down through the population. If we progressively and mathematically destroy the opportunity for employment in America, then in inverse ratio we must give participation in the remaining amount of work to all the population. I don't think there is any other answer if we want to preserve our economy and our form of Government.

Now, I do trust that the committee in its wisdom and discretion will give full consideration to that very important subject. On page 8, section 4 (c), I think—section 4 (c) on page 8, we think that "may" should be changed to "shall". I see it is suggested in an amendment that has been offered by some of the Senators. The President shall consult with representatives of industry, agriculture, labor, and State and local governments.

The Chairman. Mr. Green suggested that, too.

Mr. Lewis. I am glad to know it. I was sitting behind that screen and I couldn't hear him very well. Certainly it should not be optional. Certainly labor is entitled to have that consultation with these representatives of other interests, industry and labor and so on. Certainly it should not be at the whim of whoever may be President 10 years from now as to whether or not he will consult labor. We do like to be consulted, whether or not our views are accepted. I think that is a human trait that probably prevails in the minds of a lot of people as well as those who represent labor organizations.

In the amendment presented on the legislative day of July 9, a copy of which I have here, on page 4 in the 12th line, section 10 (a) of the act, it sets forth that opportunity to engage in productive work at locally prevailing wages and working conditions for the type of job available shall be the standard by which full employment is defined. I don't think that language should be in the bill for very obvious reasons. "Locally prevailing wages." I think it is not only unfair to the workers in limiting their opportunity because the locally prevailing wages become a maximum instead of a minimum, but I think it is unfair to industry, to investors, and to capital. I think it will operate to maintain and continue indefinitely substandard wages in many of the rural sections of the South. I think that the wage mimimum in the Wage-Hours act is a sufficient floor. I think this either should be stricken out—either that "locally prevailing wages" should be stricken out, or it should be inserted in lieu thereof that wages fixed through collective bargaining, if you are going to deal with wages there. I think you are treading on dangerous ground by putting that in, because it will be used by the Government contractors in the remote areas of the country as their defense against any attempt to increase wages or raise the standard of living or to increase the buying and consuming power of the population of that area.

I have this in mind. In 1933, 1934, and 1935, when the first National Labor Board was functioning, of which the distinguished chairman of this committee was Chairman—

The Chairman. And you were a member——

Mr. Lewis. I recall that, Senator. We found wages in Louisiana in the lumber industry in those remote and mosquito-infested swamps, as low as 10 cents an hour. We found similar wages in Mississippi, in Alabama, and in Florida—10 cents an hour; 15 cents an hour was almost an excessive wage in some of those areas. We found that the lumber manufacturers and producers of the Pacific Northwest and other areas in this country were compelled to compete in the national lumber markets with the 10-cents-an-hour wage levels of Louisiana. At the same time they were being required to pay a wage four, five, and six times that to work their plants in the Pacific Northwest. It constituted unfair economic competition from any national standpoint. I merely mention the lumber industry in passing as an outstanding example.

This amendment, if it goes into this bill, will be utilized by contractors and employers in the South, notoriously anti-union and anti-labor, to continue their unwholesome and their vicious economic exploitation of the Negro race. It will maintain the standard of living in the South which is unwholesome and vicious and should be abolished. It should not be done by the Congress or by the people of the country.

America has to look forward to a constantly increasing standard of living, with greater leisure for its people, greater opportunities for recreation and greater opportunities for education. Otherwise we cannot keep our economy running. Our productive machine will overwhelm us in every economic and social sense. So, in consequence, the Congress should not undertake to do anything that will put a burden upon the backs of men who want to organize and bargain collectively in harmony with the public policy of the United States. Certainly labor has a right to bargain in the open market for the only thing it has got to sell, that is, the labor of its hands and the time of its being. So I think this amendment here will be unwholesome and of bad effect.

I don't know that there are any other details I should discuss here. Anticipating a possible question, because I understand it has been a matter of discussion in the committee here, the matter expressed in section 2, paragraph (b), on page 2, "it is the policy of the United States to assure the existence at all times of sufficient employment opportunities". Well, that word "assure" is not binding because it is dependent on what Congress will do when Congress gets the report from the President in the manner prescribed, making suggestions as to what should be done. No one can bind a future Congress, and the American people are going to express themselves in the future through their elected representatives as in the past, and you cannot bind the American people. I personally would be perfectly satisfied if that word "assure" was "promote". I would be just as satisfied with "promote" as with "assure" because I think neither of them is binding upon the Congress or upon the people. They are simply a declaration of policy. The desire to execute the policy depends on the circumstances and the time. So to me that is of no more importance than the difference between "the" and "thuh".

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maintain "full employment" in this country, we must be aware of the relations of our problems to the same problems in other countries, knowing that the principles of progress at home apply universally. We can have security at home by helping other countries to have security and progress.

To sum up, on behalf of the American Federation of Labor I ask favorable action on S. 380, with the following amendments:

Page 6, line 13—end the sentence with the words "applicable laws," deleting the clause authorizing exemptions.

Page 8, line 9—substitute "shall" for "may."

Page 10, line 16—We question the wisdom of authorizing the committee to utilize volunteer and uncompensated services.

We concur in the purpose of the amendments submitted by Senator Morse on behalf of himself, Senators Tobey, Aiken and Langer, to establish and maintain living standards for those engaged in agriculture.

We propose, however, the following definition of "full employment":

Section 10 (a) the term "full employment" means a condition

"(1) in which the number of persons able to work, lacking work and seeking work, shall be approximately equivalent to the number of opportunities for productive employment at suitable work, at not less than the prevailing wage standards and under prevailing working conditions for such work, and not below the minimum standards required by law; and

"(2) in which there is no infringement on basic rights constituting economic freedom."

Plans for Roosevelt Dime and Bond

The Treasury Department has announced plans for two tributes to the memory of Franklin D. Roosevelt: first, a new issue of dimes to bear his likeness (the present Liberty-head dime, in existence 29 years, to be discontinued); second, his picture to be on war bonds in the next war loan drive. Also on the bond a suitable utterance of his, to be selected by Washington newsmen, will be quoted.

Henry Morgenthau Jr., Secretary of the Treasury, said at a news conference the new dimes will be minted as soon as possible and should be ready for distribution around the end of this year.

Only three other Presidents are honored by the United States Mint. Lincoln is on the penny, Jefferson on the nickel and Washington on the quarter.

No authority from Congress is required to mint the Roosevelt dimes. The law says the Treasury can change the design of a coin every 25 years. Mr. Morgenthau said the dimes probably will be produced at the Philadelphia Mint.

Autonomics and Economics

(Continued from first page)

itive relation between the **economic** and **autonomic** rates involved; that is, valuation involves assembling, not merely economic costs in toto, but also the total contribution to the "autonomy" (in excess of cost), and balancing the two. In economic equilibrium cost, assembled into a total cost by the "life expectancy" of equipment, must equal net income, assembled into a total value by the period of human immaturity (20 years, more or less); which is to say, that by introducing two time factors (durability and immaturity), one a variable and the other a constant (in its mean value), we make total cost equal capitalized net income (total value) when the account is in economic equilibrium or economically solvent, that is, when it just matches the "alternative opportunity" of the autonomic, return-cost ratio. Capital which exceeds that ratio is "worth" proportionately more, and if it can be held as property can properly impose the owner's autonomy as a cost in the price of the product in trade, so that what might be called the **equation of capitalistic equilibrium** is satisfied.

Function of Saving

"In my opinion the claim of the New Dealers that there is too much saving today is based on completely unsound calculations. They include in the savings the setting aside of depreciation, which is not saving. They underestimate the tremendous wear and tear in existing plant. They fail to see that New Deal policy has checked the sound investment of saving so necessary to progress and prosperity." [From "Inflation and How to Prevent It," an address before the Pennsylvania Savings and Loan League, Harrisburg, Sept. 26, 1941, by Senator Robert Taft.]

If our analysis of the "autonomics of investment" be correct, it follows that the truth in accounting for value (as distinct from price) is not that it is the result of antecedent cost. Capital value is not the result of a process of accumulation as Senator Taft has implied in the above quotation. Here we shall show that it is the source of our greatest confusion in economic theory to speak or think of saving (cost), whether by individual thrift, or by "forced" saving in banking (as described in an anti-Keynesian vein by Father Dempsey), or by "excessive" saving by "monopolies" (as described in the Keynesian manner by Mr. Boothby, Commercial & Financial Chronicle, June 7, 1945), as the origin of capital values. It is a **non sequitur** to suppose because the individual can and does accumulate property by saving money income and spending it, that this parallels the process by which the real values of the community arise and accrue. Money "values" (price totals) may and certainly do accumulate, in the inflationary sense of increasing with cash balances. But it is precisely here that the characteristic Keynesian confusion as to "savings and investment" has arisen; witness the capable correction of these fallacies by Dr. Benjamin Anderson in The Chronicle (Jan. 25, 1945, p. 404-405), which needs no repetition here. A recent paper exhibiting the historical durability of this dire confusion as developed by the theory that interest is contingent on saving and **lending** (not on intelligence in investment!) is the leading article in the current (June, 1945) American Economic Review, on "Lauderdale's Oversaving Theory" by Prof. Frank A. Fetter, veteran sponsor of the "time-preference" theory, a concept which also ignores the speculative problems of capitalization and innovation in formation and obsolescence of value.

Let us say simply that that which has not already been "formed" obviously cannot be saved. A competent money system, indeed, serves specifically to prevent saving anything valuable, that is, to prevent keeping it out of use. One must produce and surrender something for someone else's use, in exchange for that which has no use (money), before one can profit by acquiring what one hopes to use himself. (What is bought and sold with money is therefore **not** equated in value, that is, the relation between prices and values in exchange is purely speculative. Economic goods, transferred with money on this **caveat** or speculative basis, are "demanded" because they are presumably already valuable, not presumably valuable because they are "demanded.") In no way does market procedure serve to set anything aside or restrict consumption if the true pattern of capitalism in monetary trading has been followed. On the contrary, as the use of capital equipment is enhanced in efficiency, so that greater capital values are developed, the rate of consumption is continuously increased; and the extent of increase is the very occasion for the development of capital value without saving anything whatever in the sense of sacrificed or reduced consumption. Russia has benefited greatly by modern mechanics, though not as greatly as she might have benefited from their capitalistic development. She has not benefited by "tightening her belt"; the Czars had that belt too tight already. (Cf. comment on Paul Baran in Remarks of Hon. Fred L. Crawford, Congr. Record, Feb. 28, 1945; reprinted in Commercial & Financial Chronicle, March 29, 1945.)

By the same token, we have not "tightened our belts" materially in order to form "capital" equipment for war; creation of physical equipment on a vast scale has been accompanied by a general increase in civilian welfare. (Our capital structure has suffered more or less for lack of maintenance; but in view of obsolescence precipitated and offset by wartime innovations, this may prove less of a capital loss than might at first appear.) As to money incomes, had we sacrificed ("saved") the whole national, prewar money income (which has been far from the case), it still could not have sufficed to pay for the war budget et. Indeed monetary savings have not been as greatly involved as Treasury statistics have made it appear. In order to sell its bonds by patriotic appeal, so as to reduce the swelling of Treasury cash balances to bolster bank "reserves," the Treasury has deliberately developed the misrepresentation that the extent of war materiel has been dependent on belt-tightening (saving)—an appeal which is a tacit admission that war bonds lack a sensible appeal for most investors (outside of banks) despite the relatively high (though actually low) rate of interest assigned. This essentially false pretense as to war finance makes it definitely difficult to overcome what Dr. Joseph E. Goodbar (in "Managing the People's Money," p. 10) has called the "great difficulty" which "the average man has in understanding how it is possible for banks to accumulate deposits so vastly greater than the current amount of coin and currency in circulation." There is thus little public understanding of the truth about the most elemental facts of finance which must be dealt with politically and cannot without disaster be left to automatic adjustments.

Fostered by these financial illusions, the widespread notion prevails that in the most terrible and destructive war of history we have by saving formed immense capital values. All we have now to do, accordingly, to provide full post-war employment and prosperity, is to keep the war mills and factories operating by conversion to civilian production—profitless production, withal, for they clearly cannot all be operated profitably since they are not as of today of much capital value, and only the most modern of them can be converted to such value because of the obvious overcapacity. Nevertheless, our capacity for producing for civilian consumption has been put down in the Utopian terms of the cost of the war in dollars. On this basis we are told that OPA can and eagerly will remove its controls when reconversion to full civilian production has been attained. (In cases of profit-absorption by loss accounts, how will these absorbers, left to shift for themselves when profitable lines are released, ever get into production? Might we import some "Keynes's entrepreneur who needs very little profit incentive to keep him at work"?) In attaining "full" production, however, not only are we ourselves to "consume according to need"—or even greatly in excess of that standard!—but we must, with the aid of Bretton Woods and other deficit financing of "reciprocal" trade, lift up all men and vouchsafe to everyone, everywhere, all over the world, not only freedom from want but four and forty other freedoms, **ad libitum!** All this and heaven too in the name of the formation of capital by savings! [Cf. "The Challenge of Peacetime Abundance," by O. Max Gardner, N. Y. "Times" Magazine, July 8, 1945. The Financial News (London, July 11) carries this analysis to the extreme of its absurdities by asserting that the late, unlamented depression was due to "excessive raw material production" and predicting that without world-wide "planning"—for scarcity! —"excessive industrial production" will cause another depression.]

"The Theory of Econometrics"

the truth which, as it seems, Senator Taft fumbled, was almost clarified not long ago by Reinhardt and Davies when they observed in 1932 (Principles and Methods of Sociology, p. 538) that: "Taken as a whole, capital is not normally the result of saving, but is the product of the social income arising primarily from the earliest unearned increment of land." For by what kind of legerdemain in accumulating something produced and "saved", can capital value in natural resources be formed? Not the bare physical content, but the form and context of its existence in a human social environment confer the elusive quality of value upon the physical content of nature. Our wits, not our work or our wishes, contribute value; and not always our individual intelligence, but our luck in acquiring title to resources which become valuable through techniques developed by other peoples' wits, may be involved. There can be no doubt that this is the nature of land rent, the "unearned increment," that gives land a capital value that cannot be explained as the result of "investing" anything "saved."

The implication of Senator Taft's remark that depreciation reserves are **not** savings because all they accomplish is the preservation of old capital, is that all additions to value—all formation of new capital—**are** "savings," to be so-called, because they can only be the result of accumulating what would otherwise have been consumed. That this is highly orthodox theory, with the virtually unified backing of social "scientists," may be illustrated by the following definitions drawn from a recent text on "The Theory of Econometrics" by Prof. Harold T. Davis, Indiana mathematician.

The author begins by admitting that his treatment "will fail to attain the strict requirements of science." Wealth, however, consists of all "consumable utilities which require labor for their production and can be appropriated and exchanged." The word "capital," he adds, "has been introduced into economics to designate that part of wealth which has been reserved to increase wealth." Income, he explains, is "a result of the expenditure of disutility or the employment of capital."

But what is the "utility" upon which these definitions rest? It is "ophelimity" or a "satisfaction obviously psychic in character, and as yet there exists no objective measure for it." Yet somehow, not explained, the text goes on to say that "goods," which as wealth are "consumable utilities" and therefore "ophelimic," are "measured in terms of a money unit" when they are "income." Measured, but not "objectively" measured? What kind of figures are not an "objective measure"? None that have any meaning. Since, admittedly, figures cannot be applied to "psychic" income which affords "ophelimity," therefore nothing having utility can be evaluated in figures; and prices are meaningless if these definition are meaningful!

This logical dilemma is identical with that of Alfred Marshall and many of his disciples, such as J. M. Clark. Small wonder that one outstanding "authority" on these psychic problems in valuation, Prof. Lionel Robbins of the London School of confusion worse confounded, protests against being tied down to defining "wealth" at all! From a more palpably Marxian professor (Maurice Dobb of Cambridge in "Political Economy and Capitalism") we have a penetrating analysis of the development of the "marginal utility" concept which underlies the "econometric" definitions given above:

"Utility as something individual and subjective was the quantity to which value was anchored. Value was expressed as a function, not of utility treated as an aggregate, but of the increment of utility at the margin of consumption; . . . a subjective relation between commodities and individual states of consciousness was taken as the determining constant in the equational system." Also the idea "owed its invention in part to the use of conceptions of the differential calculus with its emphasis on increments of a quantity and rates of increment." While an economic theory must be quantitative in form "there has been some dispute as to whether utility, so defined, can properly be treated as a quantity at all."

Of the "econometric" explanation that "those skilled in mathematical analysis know that its object is not simply to calculate numbers but that it is also employed to find the relations between magnitudes which cannot be expressed in numbers," Dobb would point out that "an economic law is not merely a conditional sentence stating that if a situation be defined in this or that way it will necessarily have that attribute. Such is mere tautology." It has been, indeed, "a growing fashion to say, with Cassel"—the Swedish economist, recently deceased—"that a theory of value is unnecssary and that all the requisite propositions can be enunciated simply in terms of an empirical theory of price." (Cf. J. M. Clark, Hearings, House Committee on Banking and Currency, H. R. 5479 (Price Control) Sept. 17, 1941, p. 694: "Exchange value is the power to command a price; viz., the power of which price is a measure.")

"Prices (in this theory) are the resultant of certain schedules . . . empirically observed . . .; and economics as a science of 'catalactics' (exchange) is presented as the last word of amoral purity and scientific objectivity," says Dobb, continuing his oblique compliment to Cassel. "But is this escape a legitimate mode of escape? Is it an escape consistent with the requirements of a theory of value?"

"It may be perfectly proper to **define** exchange-value as 'the other commodities for which (a given thing) can be exchanged'; and it was so defined by Ricardo and Marx. But it does not follow that a determinate theory of value can be cast purely in such terms."

Cassel was so far seduced by this tail-chasing (tautological) illusion in value theory as to make the absurd statement that "productive processes resulting in material goods" have "nothing to do with social economy, which is concerned with satisfactions of the wants of its members, whatever they may be. . . ." If one adds to or subtracts from the material goods of a "social economy", just why would the wants of its members be any less involved than in the individual economy of a Robinson Crusoe? Was the Garden of Eden valueless to Adam and Eve before her (?) sin created scarcity? Are the bounties of nature most valuable to those who have the least supply of them, and **vice versa?** Is progress a paradox without poverty?

Cassel's logical **faux pas** came in attempting to measure value, by an additive "unit of measurement", defined as if he were selecting a standard by assuming that all economic values are homogeneous in character so that an average can be struck, called an "index," and used as a "unit" or standard. Imagine physicists employing lengths or weights measured by an average as a unit!

What needs to be emphasized is that the implication of the analysis of value offered by presently dominant economic theory is that value is measured and determined by cost—by expenditure, disutility, sacrifice, or other "price paid" in exchange for goods and services. This is variously detailed as "purely relative," etc.; but it all boils down to the fatuity of trying to harmonize a subjective theory of value with the objective facts of existence. Because this objective background is not directly obvious to business, wherein limitations (such as "overhead" and "meeting a payroll") are commonly a matter of monetary costs determined by price and wage levels, we have developed a purely empirical cost theory of value, more or less camouflaged by an eristic terminology regarding the "formation of capital" by "savings and investment," all of which implies that prices and values are one and the same thing—that pricing is a cumulative, not a speculative, phenomenon in which only (and often, any—as in pleas for relief from OPA ceilings) antecedent costs are justifiable.

In this typically communistic doctrine, money is a ticketing system (rather than a medium of exchange) which represents, like each share of stock in a corporation, title to a share in the values which have been bought and paid for by expenditure, initially in wages paid out for labor-hours which become "embodied" in values or prices, which terms become synonymous. Value is not accounted for in figures except as a matter of cost; there simply is no recognized or recognizable system of value-accounting to offset against cost-accounting—no theory of value that can be reduced to figures by any procedure other than cumulative costs (such as may be added and averaged into an "index"; see Bassett Jones' article cited above, on the statistical absurdities in price "level" to which this leads).

There is therefore no basic difference between the appraisal doctrines of Adam Smith ("Adam Smith called . . . the price in terms of units of labor or services, the **real price**"; Webster's New International Dictionary, 2nd Ed. unabridged, p. 1961) and those of Karl Marx; or between those of Senator Taft or of George O.

May (in "Financial Accounting" as "distilled from experience," p. 87: "When property is new, cost and value are normally the same") and those of John Carson in his analysis of "monopoly profits" as against the "cooperative" system of "patronage returns." (See Congr. Record Appendix, Remarks of Hon. H. Jerry Voorhis, May 26 and 28, pp. A2726 and A 2739.) All are predicated on the illusory idea that money is a standard of value, not a medium of exchange in a competitive system of creative intelligence in developing value as a thing apart from costs and involving introduction of risk as between profit and loss. No understandable theory exists behind the "conservatism" which has a hunch that something is wrong with communism but for its part is continually devising devious ways of camouflaging the same ideas.

(For recent example, the Wherry amendment to OPA, which actually passed the Senate, added a farm "profit" as a final cost to the market accumulation of costs in price. This is in precise accord with the notion that an increment of "profit" must be added to interest as an "investment incentive," as if interest alone were not a competent incentive! See D. McCord Wright, "The Future of Keynesian Economics," in Am. Ec. Rev., June, 1945, especially pp. 301-302. As Mrs. Robinson says, profit aside from interest has no place as a cost; but she ignores the moral justification for purely speculative gains and losses as a matter, not of income, but of capital accounting.)

In this entrepreneurial concept of the "profit" system as a series of cumulative commissions for supposedly productive services, no place in legitimacy is left for that **speculative competition** which Hayek wants planned but fails himself to plan for — as against the ubiquitous, not to say iniquitous, system of "planning" the simple-minded accumulation of costs and the distribution "according to need" of hypothetically resulting values. As if the whole competitive economy could, by "planning," be made subject to the same non-competitive considerations in distribution as is developed within the individual family where no accounting is called for! As if all of us could be transformed, by "planning," into one great happy family—a "brotherhood of man" joyfully cooperating in a perpetual Garden of Eden!

Nothing remotely resembling a Garden of Eden, with its freedom from want, can be realized for more than a fraction of human population. The best we can do is to minimize scarcity — nor can atomic energy materially affect a situation in which an excess of power is already at hand. Some scarcity, erratically recurrent in "business cycles," is a needless "poverty in the midst of potential plenty"; but this is no justification for the notion that all scarcity is needless. (See "Population Problems of a New World Order," by Prof. Karl Sax of Harvard, reprinted from the Scientific Monthly in the Congr. Record, Jan. 21, 1944, vol. 90, p. 519. Cf. also the "social organism" fallacy noted in footnote 3a, p. 91, Commercial & Financial Chronicle, July 5, 1945.) The so-called abundance of war is illusory except as war finance has served, crudely and by dangerous inflation, to offset the peacetime deflationary aspect of the existing system of bank credit and its more or less chronic depression of business below a normal level, with resultant unemployment.

[**Editor's Note:** The foregoing is the second installment of Mr. Potter's paper, the first part having appeared on the cover page of Section 2 of the issue of Aug. 30. The next part will be given in the "Chronicle" of Sept. 13.]

Weekly Coal Production Statistics

The total production of bituminous coal and lignite in the week ended Aug. 25, 1945 is estimated at 12,000,000 net tons, an increase of 5,740,000 tons over the preceding week which included two holiday days. Output in the corresponding week of 1944 was 12,076,000 tons. The total production of soft coal from Jan. 1 to Aug. 25, 1945 is estimated at 381,076,000 net tons, a decrease of 7.7% when compared with the 413,078,000 tons produced during the period from Jan. 1 to Aug. 26, 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite:	Aug. 25, 1945	*Aug. 18, 1945	Aug. 26, 1944	†Aug. 25, 1945	Aug. 26, 1944
Total, incl. mine fuel	12,000,000	6,260,000	12,076,000	381,076,000	413,078,000
Daily average	2,000,000	‡1,361,000	2,013,000	1,906,000	2,035,000

*Revised. †Subject to current adjustment. ‡Average based on 4.6 days.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Aug. 18, 1945	Aug. 11, 1945	Aug. 19, 1944
Alabama	224,000	382,000	362,000
Alaska	4,000	5,000	5,000
Arkansas and Oklahoma	63,000	91,000	95,000
Colorado	76,000	133,000	150,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	630,000	1,315,000	1,439,000
Indiana	262,000	501,000	546,000
Iowa	30,000	44,000	45,000
Kansas and Missouri	99,000	119,000	168,000
Kentucky—Eastern	465,000	883,000	963,000
Kentucky—Western	252,000	351,000	350,000
Maryland	19,000	36,000	38,000
Michigan	2,000	3,000	3,000
Montana (bitum. & lignite)	68,000	96,000	95,000
New Mexico	16,000	28,000	34,000
North & South Dakota (lignite)	40,000	43,000	40,000
Ohio	435,000	788,000	671,000
Pennsylvania (bituminous)	1,375,000	2,800,000	2,881,000
Tennessee	66,000	134,000	133,000
Texas (bituminous & lignite)	1,000	2,000	2,000
Utah	64,000	121,000	123,000
Virginia	173,000	321,000	377,000
Washington	18,000	28,000	28,000
†West Virginia—Southern	1,084,000	2,044,000	2,141,000
‡West Virginia—Northern	668,000	1,083,000	1,070,000
Wyoming	124,000	187,000	174,000
§Other Western States	1,000	1,000	*
Total bituminous & lignite	6,260,000	11,540,000	11,934,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Subscriptions to and Allotments of Treasury Ctfs.

The Secretary of the Treasury announced on Aug. 29 the final subscription and allotment figures with respect to the current offering of 7/8% Treasury Certificates of Indebtedness of Series G-1946, open to the holders of Treasury Certificates of Indebtedness of Series F-1945, maturing Sept. 1, 1945, or Treasury Bonds of 1945-47, called for redemption on Sept. 15, 1945. The offering was referred to in our issue of Aug. 23, page 840.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District—	Certificates Exchanged	Bonds Exchanged	Total Exchanges
Boston	$126,072,000	$26,992,000	$153,064,000
New York	2,028,784,000	687,469,000	2,716,253,000
Philadelphia	83,489,000	35,318,000	118,807,000
Cleveland	128,615,000	17,482,000	146,097,000
Richmond	52,500,000	1,904,000	54,404,000
Atlanta	64,890,000	9,990,000	74,880,000
Chicago	367,168,000	71,690,000	438,858,000
St. Louis	62,879,000	4,604,000	67,483,000
Minneapolis	49,624,000	11,925,000	61,549,000
Kansas City	102,754,000	10,248,000	113,002,000
Dallas	53,594,000	3,258,000	56,852,000
San Francisco	294,478,000	26,415,000	320,893,000
Treasury	1,794,000	309,000	2,103,000
Total	$3,416,641,000	$907,604,000	$4,324,245,000

Chinese-Russian Alliance Announced

An agreement of alliance and friendship, to run for a period of 30 years, was signed at Moscow on Aug. 14 by China and the Soviet Union, and made public by the two nations simultaneously on Aug. 26, the Associated Press reported from Chungking, on Aug. 27.

The agreement as signed is said to be of the broadest possible scope, covering a far wider range than the Chinese had in mind when Chinese Premier T. V. Soong first commenced his discussions with Soviet leaders; it was Russia, the Associated Press stated, which proposed that all questions be settled in an agreement which really meant something. The treaty ends a long undercurrent political strain between the two great Asiatic Powers, the Associated Press continued, which were brought about by the activities of Chinese communist elements who frequently have been at odds with the Central Government in Chungking. It is noted in these advices that a race between Chungking and communist forces to occupy North China cities and capture Japanese arms there had brought about a threat of civil war since the capitulation of Nipponese troops.

The agreement provides for its own renewal automatically for "an unlimited period," unless within one year before the expiration date one of the signatories notifies the other that it desires to end the pact.

Other outstanding features of the agreement between the two nations as reported by the Associated Press are:

The establishment of Dairen in Manchuria as a free port open to all nations, but administered by China.

The Manchurian city of Port Arthur to be used jointly as a port and naval base by Russia and China.

Russia and China to operate jointly the Chinese Eastern and Southern Manchuria railroads.

China to recognize the independence of Outer Mongolia if the people there indicate by a plebiscite they want independence.

Russia to respect Outer Mongolia's political independence and territorial integrity.

Russia to avoid interference in internal affairs of Sinkiang Province, between Mongolia and Tibet, which embraces Chinese Turkestan.

Outer Mongolia, a vast area lying along the Siberian border and rich in minerals, wool and furs, actually has not paid allegiance to the Central Chinese Government since 1924, operating under a people's government set up along Soviet lines.

The Chinese Eastern and Southern Manchuria railways will be consolidated as the "Chinese Changchun Railroad" and will be operated as a purely commercial enterprise, except in case of war with Japan, when the railroad will be used for transportation of Russian troops.

Port Arthur, taken by the Japanese from the Russians in a bloody siege in the Russian-Japanese war forty years ago, will be defended by the Soviet Navy under terms of the treaty, but the civil administration of the port will be Chinese.

The Associated Press points out that the alliance brought closer the old dream of Sun Yat-sen of close friendship between two of the world's most populous countries.

Just before his death, in 1925, Sun declared in a letter to Moscow that "I hope the day will come when the Soviet Union will find in a powerful China a brother, an ally, and that both will work hand in hand for the liberation of nations."

Inter-American Council Formed

An Inter-American Economic and Social Council has been formed to "promote progress and the raising of the standard of living for all the American peoples in the postwar period," according to an announcement by the Board of Governors of the Pan American Union on Aug. 29, a special dispatch from Washington to the New York "Times" states.

The Board also announced that Oct. 20 a series of meetings would begin at Rio de Janeiro among representatives of the Inter-American Conference for the Maintenance of Peace and Security. This group will draw up a treaty to "give permanent form to the principles embodied in the Act of Chapultepec" signed at the Mexico City conference on Mar. 3, it was announced.

Secretary of State James F. Byrnes presided over the meeting of the Board of Governors which took these steps to cement more firmly the welfare and interdependence of the republics in the Western Hemisphere.

The "Times" advices also stated: The Act of Chapultepec cited in today's statement provides for mutual assistance should any one of the American republics be attacked or otherwise be made the victim of an act of aggression. By the terms set forth in the Mexico City conference, however, provisions of the act are limited to the period of the war.

The new Inter-American Economic and Social Council was named to replace the former Inter-American Financial and Economic Advisory Committee to the Pan American Union. The committee was organized in 1939 as an emergency agency and has functioned at the Pan American Union during the last six years.

The Council will consist of one representative from each of the American republics and as many technical advisers as the separate Governments may care to designate, the Union said. The group will be the coordinating agency for all official Inter-American "economic and social activities."

"Its purpose is to promote social progress and the raising of the standard of living for all the American peoples," the Pan American Union said, "and undertake studies and prepare reports on economic and social matters for the use of the American republics."

The Union's Board of Governors will appoint the secretary-general of the Council. He also will serve as administrator of economic and social activities of the Union, and, in that capacity, direct the division of the Union concerned with economic and social affairs.

Delegations of the American republics agreed at the United Nations Conference for International Organization at San Francisco that the meeting to give "convention form" to the Act of Chapultepec would be held in Rio de Janeiro. Invitations already have been issued by the Government of Brazil, which has organized the forthcoming conference, to the other American republics to be represented.

"Little Steel" Revise Asked by 70 in House

One of the last acts of House members before the long summer recess was to sign a petition asking President Truman to revise the "Little Steel" formula under which the Administration has limited basic pay rises to 15% above the wage prevailing on Jan. 10, 1941. The petition was signed by 70 House members, said the New York "Times" in a dispatch from Washington, July 20, which continued:

The office of Representative Holifield, Democrat of California, a leader in this movement, made public the list of the signatories, saying that they were asking for "an increase of at least 20% in the basic pay rate," but it developed almost at once that there was disagreement among his colleagues as to just how this was to be interpreted.

At the office of Representative De Lacy, Democrat of Washington, it was stated that he had signed on the understanding that what was being asked was a 20% increase on top of the 15% allowed under the policy of the War Labor Board.

Representative Voorhis, Democrat of California, said that he had not understood so sharp a rise was contemplated, apparently referring to the interpretation made in som quarters that what was being urged was a policy permitting rises up to 20%.

"Perhaps I did not examine the petition critically enough," he added. "At all events I thought the central purpose was not so much for some specific rise as for a revision of policy to take out the present rigidity."

For his part, Representative Gearhart, Republican, of California, another signer, agreed with the view that a fresh 20% increase was being sought, stating that this was very near to what he had proposed in a pending bill to grant another 15% or an aggregate of 30% above the level of Jan. 10, 1941.

Mr. Holifield himself was out of town. The statement issued under his name declared that the President would be asked "to revise" the present wage policy by executive order and "restore the original authority of the War Labor Board to approve or direct such wage adjustments as may be necessary and which will not substantially affect the cost of living."

"All the evidence of cutbacks, layoffs, loss of overtime pay and, in the case of merchant seamen, a direct cut in the pay envelope, point to economic troubles right ahead unless the present national wage policy is revised to permit an increase of at least 20% in the basic pay rate in order to keep up mass purchasing power and avoid sowing the seeds of a disastrous depression in the immediate future," it was asserted.

"We urge all members of Congress to sign this petition."

Of the 70 members thus far signing, 65 are Democrats, four are Republicans, and one—Representative Marcantonio of New York—a member of the American Labor party.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Sept. 4	122.07	116.02	120.63	119.00	116.22	108.52	112.56	116.02	119.61
3	Stock Exchange Closed								
1	Stock Exchange Closed								
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
30	122.09	115.82	120.63	119.00	116.02	108.34	112.56	115.82	119.41
29	122.09	115.82	120.63	119.00	116.02	108.34	112.56	115.82	119.41
28	122.09	115.82	120.63	119.00	116.02	108.16	112.37	115.63	119.41
27	122.09	115.82	120.63	119.00	116.02	108.34	112.56	115.63	119.41
25	Stock Exchange Closed								
24	121.91	115.82	120.63	119.00	116.02	108.16	112.56	115.63	119.41
23	121.69	115.82	120.63	119.00	116.02	108.16	112.56	115.63	119.20
22	121.61	115.63	120.63	119.00	115.82	107.98	112.56	115.63	119.20
21	121.70	115.63	120.84	118.80	115.82	107.80	112.56	115.63	119.20
20	121.75	115.82	120.84	119.00	116.02	107.98	112.56	115.63	119.41
18	Stock Exchange Closed								
17	121.91	115.82	120.84	119.00	116.22	108.16	112.56	115.82	119.41
16	Stock Exchange Closed								
15	Stock Exchange Closed								
14	122.09	115.82	120.84	119.00	116.22	108.16	112.75	115.82	119.41
13	122.11	115.82	120.84	119.00	116.02	108.34	112.75	115.63	119.41
11	Stock Exchange Closed								
10	122.14	116.02	121.04	119.20	116.02	108.34	112.93	115.82	119.41
9	122.15	116.02	121.04	119.20	116.22	108.34	113.12	115.82	119.41
8	122.20	116.02	121.04	119.20	116.02	108.34	112.93	115.82	119.20
7	122.25	116.02	120.84	119.00	116.02	108.34	112.93	115.82	119.00
6	122.33	116.02	120.84	119.20	116.02	108.34	113.12	115.82	119.00
4	Stock Exchange Closed								
3	122.36	115.82	120.84	119.20	116.02	108.16	112.93	115.82	119.00
2	122.30	116.02	120.84	119.41	116.02	108.16	112.93	115.82	119.20
1	122.28	115.82	120.84	119.41	115.82	108.16	112.93	115.82	119.20
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
20	122.80	116.02	121.04	119.41	116.02	108.34	112.93	115.63	119.41
13	122.89	116.22	121.04	119.61	116.22	108.34	113.31	115.63	119.61
6	122.92	116.02	121.04	119.41	116.02	108.16	112.93	115.63	119.61
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
22	122.97	115.82	120.84	119.20	115.82	107.80	112.75	115.43	119.20
15	122.97	115.82	120.84	119.20	115.82	107.80	112.75	115.43	119.41
8	122.81	115.63	120.84	119.00	115.63	107.62	112.37	115.24	119.41
1	122.23	115.43	120.63	119.00	115.43	107.44	112.37	114.85	119.20
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
18	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
11	122.26	115.24	120.84	118.40	115.43	107.09	112.19	114.46	119.41
4	122.38	115.24	120.84	118.40	115.24	107.09	112.00	114.27	119.41
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	123.05	116.22	121.04	119.61	116.22	108.52	113.31	116.02	119.61
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago Sept. 5, 1944	119.67	112.56	118.80	117.20	112.19	103.13	106.74	114.27	117.20
2 Years Ago Sept. 4, 1943	120.30	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Sept. 4	1.65	2.85	2.62	2.70	2.84	3.25	3.03	2.85	2.67
3	Stock Exchange Closed								
1	Stock Exchange Closed								
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
30	1.65	2.86	2.62	2.70	2.85	3.26	3.03	2.86	2.68
29	1.65	2.86	2.62	2.70	2.85	3.26	3.03	2.86	2.68
28	1.65	2.86	2.62	2.70	2.85	3.27	3.04	2.87	2.68
27	1.65	2.86	2.62	2.70	2.85	3.26	3.03	2.87	2.68
25	Stock Exchange Closed								
24	1.67	2.86	2.62	2.70	2.85	3.27	3.03	2.87	2.68
23	1.69	2.86	2.62	2.70	2.85	3.27	3.03	2.87	2.69
22	1.69	2.87	2.62	2.70	2.86	3.28	3.03	2.87	2.69
21	1.69	2.87	2.61	2.71	2.86	3.29	3.03	2.87	2.69
20	1.68	2.86	2.61	2.70	2.85	3.28	3.03	2.87	2.68
18	Stock Exchange Closed								
17	1.67	2.86	2.61	2.70	2.84	3.27	3.03	2.86	2.68
16	Stock Exchange Closed								
15	Stock Exchange Closed								
14	1.66	2.86	2.61	2.70	2.84	3.27	3.02	2.86	2.68
13	1.66	2.86	2.61	2.70	2.85	3.26	3.02	2.87	2.68
11	Stock Exchange Closed								
10	1.65	2.85	2.60	2.69	2.85	3.26	3.01	2.86	2.68
9	1.65	2.85	2.60	2.69	2.84	3.26	3.00	2.86	2.68
8	1.65	2.85	2 60	2.69	2.85	3.26	3.01	2.86	2.69
7	1.65	2.86	2.61	2.70	2.85	3.26	3.01	2.86	2.70
6	1.64	2.85	2.61	2.69	2.85	3.26	3.00	2.86	2.70
4	Stock Exchange Closed								
3	1.64	2.86	2.61	2.69	2.85	3.27	3.01	2.86	2.70
2	1.64	2.85	2.61	2.68	2.85	3.27	3.01	2.86	2.69
1	1.64	2.86	2.61	2.68	2.86	3.27	3.01	2.86	2.69
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
20	1.60	2.85	2.60	2.68	2.85	3.26	3.01	2.87	2.68
13	1.60	2.84	2.60	2.67	2.84	3.26	2.99	2.87	2.67
6	1.60	2.85	2.60	2.68	2.85	3.27	3.01	2.87	2.67
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
22	1.59	2.86	2.61	2.69	2.86	3.29	3.02	2.88	2.69
15	1.59	2.86	2.61	2.69	2.86	3.29	3.02	2.88	2.68
8	1.60	2.87	2.61	2.70	2.87	3.30	3.04	2.89	2.68
1	1.64	2.88	2.62	2.70	2.88	3.31	3.04	2.91	2.69
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
18	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
11	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.93	2.68
4	1.63	2.89	2.61	2.73	2.89	3.33	3.06	2.94	2.68
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.59	2.84	2.60	2.67	2.84	3.25	2.99	2.85	2.67
1 Year Ago Sept. 5, 1944	1.82	3.03	2.71	2.79	3.05	3.56	3.35	2.94	2.79
2 Years Ago Sept. 4, 1943	1.83	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

National Fertilizer Association Commodity Price Index Shows Substantial Decline

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Sept. 4, declined rather substantially to 140.7 for the week ended Sept. 1, 1945, from 141.3 in the preceding week. This decline takes the index back to the level of May 26, 1945. A month ago the index stood at 141.7, the highest point of the index which it first reached June 16, and a year ago at 138.5, all based on the 1935-1939 average as 100. The Association's report continued as follows:

Three of the composite groups of the index declined and one advanced, with the farm products group showing the greatest decline during the week. This group is now at the lowest point since Feb. 17. The cotton subgroup index advanced slightly but was much more than offset by the declines in the grains and livestock indexes. The grains index declined to the lowest point that it has reached in almost a year, with lower prices for wheat at Minneapolis and for barley more than offsetting the rise in the prices for wheat at Kansas City and for rye. The livestock index declined sharply as the result of small declines in the prices for cattle and lambs and a sharp downturn in the prices for eggs. The foods index declined moderately. The fuels index declined fractionally because of lower prices for bunker oil. A small advance was registered in the textiles group. All other groups of the index remained unchanged.

During the week 8 price series in the index declined and 3 advanced; in the preceding week 9 declined and 4 advanced; in the second preceding week 6 declined and 4 advanced.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Sept. 1, 1945	Preceding Week Aug. 25, 1945	Month Ago Aug. 4, 1945	Year Ago Sept. 2, 1944
25.3	Food	142.5	144.3	144.0	140.7
	Fats and Oils	145.2	145.2	145.0	145.1
	Cottonseed Oil	163.1	163.1	162.4	163.1
23.0	Farm Products	164.8	167.2	168.4	161.7
	Cotton	212.7	211.4	214.4	204.7
	Grains	157.2	158.9	164.0	155.8
	Livestock	159.6	163.2	163.0	156.6
17.3	Fuels	134.4	134.5	133.3	130.1
10.8	Miscellaneous Commodities	132.8	132.8	133.9	132.2
8.2	Textiles	156.8	156.6	157.0	152.9
7.1	Metals	108.9	108.9	108.9	104.3
6.1	Building Materials	153.8	153.8	153.8	154.0
1.3	Chemicals and Drugs	125.8	125.8	125.8	126.9
.3	Fertilizer Materials	118.3	118.3	118.3	118.3
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.5
100.0	All groups combined	140.7	141.3	141.7	138.5

*Indexes on 1926-1928 base were: Sept. 1, 1945, 109.6; Aug. 25, 1945, 110.1, and Sept. 2, 1944, 107.9.

Steel Output to Rise 0.4%—Buying Exceeds Cancellations — Consumer Reconversion Rapid

"With a promise of a strong upward trend in activity, post-Labor Day reopenings found the steel industry on the home stretch as far as reconversion problems were concerned," states "The Iron Age" in its issue of today (Sept. 6), which further says in part: "During the past week order volume has been heavy, steel ingot operations have been slowly climbing upward, steel consumer reconversion has been taking place at a much faster rate than had been expected and normal market factors such as prices and wages have begun to put in more of an appearance than has been customary in the war period.

"While CMP orders will continue to be delivered during September, all steel companies expect a substantial increase this month in nonrated business for shipment as soon as schedules reach a more normal level. Those industries such as railroad freight car builders, railroads and can makers already have substantial orders on steel mill books and a minimum amount of reconversion troubles. Deliveries to those industries are expected to be heavy, therefore, for some time to come. Meanwhile the automobile industry is gearing itself for much higher output of new cars than quotas would have allowed, with the result that pressure from Detroit upon the steel industry is and will be greater.

"The oil industry is also coming into the steel market for heavy quantities of steel. It is understood that oil companies are especially interested in the production of "one trip" steel drums. Some sources believe that steel requirements over the next several months for this production alone will approximate the Army's need for it. Over the past few years stocks of oil well casing and drill pipe have dwindled rapidly and now that the bomb programs have been practically eliminated, heavy ordering of oil country goods is currently in the making.

"On an overall basis total order volume in this past week has been relatively heavy. Despite heavy cancellations during August, some mills report that new order volume has just about balanced their losses. Cancellations are now at a normal rate and most steel mills have already put new schedules for finishing units into effect right on the heels of the war business cancellations experienced over the past few weeks.

"Steel ingot output over the next several weeks is expected to climb slowly to a level somewhere between 80% and 85% of rated capacity. The latter will represent an economic schedule of operations which will exclude the use of obsolete and high cost equipment which had to be operated during the war.

"With steel companies having lost nearly all of their volume-guaranteeing war contracts and with wage costs relatively high, the entire industry is intensely interested in possible ceiling price increases. Most of the common steel products are, according to steel companies, being made today either at a loss or at a break-even point.

Some companies have been forced to go to a 40-hour week in order to reduce their overhead, but this action has not been entirely successful because labor shortages still exist in steel plants despite layoffs elsewhere. Most of the shortages are occurring in finishing mills where skilled workers are needed to process such products as cold rolled sheets, strip, galvanized sheets and other peacetime steel products which require more finishing operations than did the output of the war period."

The American Iron and Steel Institute on Sept. 4 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 74.9% of capacity for the week beginning Sept. 3, 1945, compared with 74.5% one week ago, 87.9% one month ago and 95.1% one year ago. The operating rate for the week beginning Sept. 3 is equivalent to 1,371,900 tons of steel ingots and castings, compared with 1,364,600 tons one week ago, 1,610,000 tons one month ago, and 1,710,700 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Sept. 3 stated in part as follows: "Reversing the recent trend, steel orders are well in excess of cancellations, hastened by the fact that producers again are reaching the point where they can make fairly definite delivery promises and many consumers have been able to know better what they want and when they want it.

"As had been expected, greatest emphasis is on light products, sheets, strip, some wire products, tin plate, small bars and angles and similar goods. Not much in current demand is noted to take the place of shell and gun forgings and other heavy ordnance items and ships, which contributed particularly to pressure on steel ingot production during the war. Full replacement of such heavy products is not in prospect and it is mainly for that reason that the industry does not expect peak wartime steel production to be equaled, even though as high as 90% operations may be reached within the next few months.

"However, some improvement is noted in demand for heavy products, from railroads and the building industry, in particular. While building construction requirements should not reach full swing much before spring, shape schedules are tightening. Rail rolling will be exceptionally heavy for this season of the year. There is a substantial accumulation of orders for rails and at least one large producer will be able to devote more capacity to rails this fall than in a long time. The rail outlook for next year is bright.

"Steelmakers are importuning Office of Price Administration to allow an increase in steel prices of about $7 per ton. This is based on increased production costs and expectation that a lower level of operations will increase unit costs. Loss of profitable war tonnage is a factor which is viewed as seriously threatening the industry's earnings position at the present level of ceiling prices."

Sweden, Poland Sign Trade Agreement

Sweden and Poland have signed a trade agreement, according to a Stockholm report to the New York "Times," Aug. 20, providing for delivery from Poland to Sweden of 4,000,000 tons of coal and 800,000 tons of coke by Dec. 1, 1946, as well as certain quantities of salt zinc, white zinc, soda, creosote, oil, etc., in exchange for iron-ore, pulpwood, special steel ball-bearing machines, fish and cattle. The advices further said:

Payment will be in Swedish currency on a clearing account in the Bank of Sweden. Half of the Swedish payment for the Polish goods will be used for Polish purchases in Sweden within the framework of the agreement as well as the settlement of other Polish debts in Sweden. The other half may be used for the purchase of gold and foreign currencies.

Sweden has further granted Poland a 100,000,000-kroner credit for the purchase of Swedish goods. Part of the credit may be used immediately.

It is finally understood that both Governments shall organize special commissions to follow the development of the goods exchange between the two countries.

Moody's Daily Commodity Index

Tuesday, Aug. 28	254.3
Wednesday, Aug. 29	254.2
Thursday, Aug. 30	254.6
Friday, Aug. 31	254.3
Saturday, Sept. 1	254.3
Monday, Sept. 3	*
Tuesday, Sept. 4	254.7
Two weeks ago, Aug. 21	253.7
Month ago, Aug. 4	255.2
Year ago, Sept. 2	250.1
1944 High, Dec. 31	254.4
Low, Nov. 4	245.7
1945 High, June 12	258.0
Low, Nov. 1	245.7

*Holiday.

Daily Average Crude Oil Production for Week Ended Aug. 25, 1945 Decreased 42,300 Bbls.

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Aug. 25, 1945 was 4,891,550 barrels, a decline of 42,300 barrels per day from the preceding week and 9,350 barrels less than the daily average figure as recommended by the Petroleum Administration for War for the month of August, 1945. The current figure, however, was 224,100 barrels per day in excess of the output in the week ended Aug. 26, 1944. Daily production for the four weeks ended Aug. 25, 1945, averaged 4,920,400 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,931,000 barrels of crude oil daily and produced 15,951,000 barrels of gasoline; 1,573,000 barrels of kerosine; 4,960,000 barrels of distillate fuel, and 9,356,000 barrels of residual fuel oil during the week ended Aug. 25, 1945; and had in storage at the end of that week 46,845,000 barrels of civilian grade gasoline; 37,848,000 barrels of military and other gasoline; 12;696,000 barrels of kerosine; 39,782,000 barrels of distillate fuel, and 46,201,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations August	*State Allowables Begin. Aug. 1	Actual Production Week Ended Aug. 25, 1945	Change from Previous Week	4 Weeks Ended Aug. 25, 1945	Week Ended Aug. 26, 1944
Oklahoma	380,000	388,000	†389,000	— 2,000	390,450	342,000
Kansas	274,000	269,400	†266,550	— 9,150	267,000	278,900
Nebraska	1,000	----	†850	----	850	500
Panhandle Texas			88,000	----	88,000	98,700
North Texas			152,850	----	152,850	148,750
West Texas			526,650	----	526,650	484,950
East Central Texas			145,600	----	145,600	147,650
East Texas			380,950	----	380,950	371,700
Southwest Texas			361,650	----	361,500	321,650
Coastal Texas			567,600	----	567,600	535,200
Total Texas	2,190,000	‡2,195,012	2,223,300	----	2,223,150	2,108,600
North Louisiana			69,750	+ 400	69,750	73,500
Coastal Louisiana			295,700	----	295,700	288,950
Total Louisiana	360,000	400,800	365,450	+ 400	365,450	362,450
Arkansas	80,000	77,836	79,000	— 950	79,750	80,900
Mississippi	53,000		53,650	— 1,450	53,600	45,900
Alabama	500		1,000	+ 50	950	200
Florida	----		200	----	200	50
Illinois	200,000		198,250	— 6,850	201,200	205,500
Indiana	13,000		13,100	— 350	13,300	13,000
Eastern— (Not incl. Ill., Ind., Ky.)	65,200		65,750	+ 4,650	64,350	69,450
Kentucky	28,000		28,400	— 450	29,150	24,300
Michigan	47,000		46,700	— 300	48,050	50,600
Wyoming	118,200		115,050	— 900	115,050	85,100
Montana	22,000		20,350	— 50	20,400	19,600
Colorado	12,000		11,750	+ 1,050	11,500	8,650
New Mexico	105,000	105,000	102,900	----	102,900	106,050
Total East of Calif.	3,948,900		3,981,250	—16,300	3,987,300	3,801,750
California	952,000	§952,000	910,300	—26,000	933,100	865,700
Total United States	4,900,900		4,891,550	—42,300	4,920,400	4,667,450

*PAW recommendations and State allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Aug. 22, 1945.

‡This is the net basic allowable as of Aug. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 15 days, the entire State was ordered shut down for 5 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 5 days' shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED AUG. 25, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	‡Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	‡Gasoline Stocks Military and Other	‡Gasoline Stocks Civilian Grade
East Coast	99.5	803	101.5	2,291	11,091	7,733	5,257	9,041
Appalachian—								
District No. 1	76.8	101	69.2	285	494	270	1,726	1,262
District No. 2	81.2	62	124.0	184	533	184	244	653
Ind., Ill., Ky.	87.2	768	89.6	2,804	5,746	2,876	5,559	12,477
Okla., Kan., Mo.	78.3	396	84.4	1,489	2,381	1,393	1,497	6,234
Inland Texas	59.8	255	77.3	1,032	562	973	1,040	1,495
Texas Gulf Coast	89.3	1,210	97.8	3,840	5,433	5,867	10,142	6,030
Louisiana Gulf Coast	96.8	250	96.2	793	1,663	1,023	1,934	1,998
No. La. & Arkansas	55.9	64	50.8	170	790	224	177	2,202
Rocky Mountain—								
District No. 3	17.1	13	100.0	39	21	38	15	77
District No. 4	72.1	108	67.9	372	392	646	609	1,290
California	87.3	901	90.4	2,687	10,676	24,974	9,648	4,086
Total U. S. B. of M. basis Aug. 25, 1945	85.8	4,931	90.7	15,986	39,782	46,201	*37,848	46,845
Total U. S. B. of M. basis Aug. 18, 1945	85.8	5,140	94.6	15,890	38,675	44,845	39,294	46,691
U. S. B. of M. basis Aug. 26, 1944		4,690		14,242	40,538	59,396	37,438	41,731

*Includes aviation and military gasoline, finished and unfinished, title to which still remains in the name of the producing company; solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 10,657,000 barrels unfinished gasoline this week, compared with 11,705,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,573,000 barrels of kerosene, 4,960,000 barrels of gas oil and distillate fuel oil and 9,356,000 barrels of residual fuel oil produced during the week ended Aug 25, 1945, which compares with 1,627,000 barrels, 5,344,000 barrels and 9,934,000 barrels, respectively, in the preceding week and 1,424,000 barrels, 4,486,000 barrels and 8,558,000 barrels, respectively, in the week ended Aug. 26, 1944.

Note—Stocks of kerosene at Aug. 25, 1945, amounted to 12,696,000 barrels, as against 12,046,000 barrels a week earlier and 13,101,000 barrels a year before.

Non-Ferrous Metals—Lead Restrictions to Be Further Eased—Silver & Cadmium Active

"E. & M. J. Metal and Mineral Markets," in its issue of Aug. 30, stated: "The lead section of WPB last week was at work on a revision of the lead order to release more metal for white lead and other products that have been held down sharply during the period when the supply situation appeared to be uncertain. Some observers believe that the revised order will be ready in a few days. On Aug. 23 OPA announced that it has suspended price control on quicksilver, aluminum, and magnesium. FEA will end mica purchases abroad in December. Inventory control on materials in light supply continues. Demand for foreign silver and cadmium was active last week." The publication further went on to say, in part, as follows:

Copper

Sales of copper for September delivery will absorb the domestic production as well as between 25,000 and 30,000 tons of foreign metal, market authorities believe. With current imports in good volume, the Government's stockpile at the end of August is expected to increase to around 385,000 tons.

Speculation on the position that FEA will take in tapering off its purchases of copper abroad through MRC continues. Until policy has been definitely fixed in Washington, FEA is proceeding with its "tentative" program of cancelling some contracts and allowing other purchase agreements to expire. In most instances copper contracts run through October. Options on the purchase of additional tonnages of copper in Canada will not be taken up, it is believed in copper circles here.

Lead

Lead restrictions are about to be eased by WPB, which, among other things, should divert more metal into the production of pigments. At the same time the regulations regarding antimonial lead are to be revised, lowering the percentage of antimony that may be contained in the alloy, probably to 9%.

Demand for lead was sufficient to create the impression that consumption is holding at about 60,000 tons a month. Sales during the last week involved 2,348 tons.

The strike at Federal has not yet been settled, but conditions are more favorable for an early adjustment of the difficulties.

Shipments of refined lead produced at domestic refineries amounted to 36,597 tons in July, against 39,658 tons in June, and 42,966 tons in July last year, the American Bureau of Metal Statistics reports. Production in July amounted to 40,300 tons, against 38,626 tons in June, and 40,471 tons in July last year.

Stocks of refined lead in the hands of domestic producers increased during July to 41,145 tons. The gain in stocks has been steady ever since the beginning of the year, when the total on hand amounted to only 19,536 tons. In addition to the stocks in the hands of refiners, the Government's stockpile now amounts to roughly 90,000 tons, which compares with the recent low of 65,000 tons.

Zinc

Demand for zinc continued on the quiet side, and, excepting Prime Western, the volume of business booked so far for next month has been below the average of recent months. Until production of automobiles and electrical equipment gets going on a large scale, stocks of High Grade are expected to increase. Canadian producers hope for a larger share of business in High Grade in this market as soon as demand improves.

Nickel

Munitions Minister Howe, Canada, announced last week that all control restrictions on nickel mill products have been removed.

Tin

The FEA has not yet reached an agreement with Bolivian producers on extending tin concentrate contracts.

Bolivia exported tin concentrates containing 24,718 metric tons of tin in the first seven months of 1945. This compares with 19,998 tons in the Jan.-July period last year and 22,389 tons in the same time two years ago.

Quotations held on the basis of 52c per pound for Straits quality tin. Forward prices were nominally as follows:

	Sept.	Oct.	Nov.
Aug. 23	52.000	52.000	52.000
Aug. 24	52.000	52.000	52.000
Aug. 25	52.000	52.000	52.000
Aug. 27	52.000	52.000	52.000
Aug. 28	52.000	52.000	52.000
Aug. 29	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c per pound.

Quicksilver

OPA has suspended price control on quicksilver, announcement to that effect being made in Washington on Aug. 23. This action carried no weight in the market for the metal.

Demand for quicksilver during the last week showed no improvement, and the price situation on quantity business was so confused that operators in most instances refused to name even a nominal figure at which the metal could be sold. On one to three flasks sellers asked around $125 per flask, but on 25 flasks or more $120 would have been acceptable in more than one direction. In fact, August shipment from the Pacific Coast was offered at $118.

San Francisco advices under date of Aug. 28 state: "Producers not quoting. Information from official sources indicates that 28,000 flasks of quicksilver were imported during the first half of 1945. Private estimates place July imports at 18,000 flasks."

Silver

Demand for foreign silver has been active, with business limited in volume because of a dearth in offerings. Both the jewelry industry and makers of solders have been interested in obtaining silver of foreign origin because of the spread between foreign and domestic prices that favors the imported material.

The London silver market was unchanged last week at 25½d. The New York Official for foreign silver held at 44¾c, with domestic at 70⅝c.

Results of Treasury Bill Offering

The Secretary of the Treasury announced on Aug. 31 that the tenders of $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Sept. 6 and to mature Dec. 6, 1945, which were offered on Aug. 28, were opened at the Federal Reserve Bank on Aug. 31.

The details of this issue are as follows:

Total applied for, $1,932,337,000.

Total accepted, $1,306,033,000 (includes $48,420,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.909, equivalent rate of discount approximately 0.360% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(64% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Sept. 6 in the amount of $1,302,298,000.

President Wants Child Care Centers Cont'd

The problem of how to meet the need of keeping open nursery centers throughout the country, which will cease to draw support from the Lanham Act Fund which terminates Oct. 31, has caused President Truman to seek a solution through asking Congress to take the necessary steps when it reconvenes, according to a special dispatch to the New York "Times" from Washington, Aug. 27. These advices stated that the President said that he had asked Gen. Philip Fleming, Administrator of the Federal Works Agency, "if possible to obtain authority to continue the centers," which he said were necessary for the benefit of working wives of service men.

Protest against the closing of the nursery schools, the "Times" report continued, coming from communities all over the country, had asked continuance, by Presidential directive, and had emphasized that many service men's wives had to keep on working until their husbands returned. The "Times" advices added:

The statement by President Truman explained that appropriations recently made for child care centers "were based on the understanding that such assistance would be terminated when women workers were no longer needed for war production." It told, too, of "local communities not yet able, immediately, to continue needed centers without assistance," and pointed out that "a typical situation is that in which mothers, who are the wives of service men, must continue to work until their husbands return from overseas."

Keeping the promise of war-end termination of Federal aid to child care, General Fleming, by administrative order, had set a closing date three months after the end of actual combat.

Mothers who organized to protest here, pointed out that funds still were available to continue the centers. Underlying General Fleming's order was believed to be the fact that, as a construction agency, the FWA seeks to concentrate on actual building activities now that materials are becoming available.

All Federal agencies concerned with child care were canvassing immediate and long-range possibilities today in the hope that Congress would take some action which might tide the care of children of working mothers through reconversion. Longer-range legislation, such as the Pepper bills for nursery schools and enlargement of welfare grants, also was being discussed. The Office of War Mobilization and Reconversion was considered the logical agency to direct a reconversion child-care program if the FWA undertakings were terminated, with long-established child-care agencies such as the Children's Bureau and the Office of Education in charge.

Savs. Accts. Up in July

Individual savings accounts of the 37 member associations of the Council of Insured Savings Associations of New York State increased by $2,297,872 or 1.2% for the month of July, it was announced on Aug. 21. Gross savings receipts for the month set a new high record, totaling $8,346,204. In the last twelve months it is stated individual savings account balances increased by $36,735,541 or 24%. Resources of these 37 insured savings associations on July 31 totaled $215,993,713 and their savings accounts numbered 202,002. Through the Seventh War Loan Drive they had sold 617,459 "E" bonds and had invested and held in their own account $59,498,000 in government bonds or 27.6% of their total resources.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Aug. 29 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Aug. 11, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Aug. 11 (in round-lot transactions) totaled 1,962,745 shares, which amount was 17.30% of the total transactions on the Exchange of 5,674,200 shares. This compares with member trading during the week ended Aug. 4, of 1,378,040 shares, or 17.38% of the total trading of 3,965,850 shares. On the New York Curb Exchange, member trading during the week ended Aug. 11 amounted to 385,235 shares or 14.31% of the total volume on that exchange of 1,345,985 shares. During the week ended Aug. 4 trading for the account of Curb members of 306,860 shares was 15.96% of the total trading of 961,490 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED AUGUST 11, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	239,460	
‡Other sales	5,434,740	
Total sales	5,674,200	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	642,100	
Short sales	108,530	
‡Other sales	506,970	
Total sales	615,500	11.08
2. Other transactions initiated on the floor—		
Total purchases	163,020	
Short sales	22,600	
‡Other sales	137,570	
Total sales	160,170	2.85
3. Other transactions initiated off the floor—		
Total purchases	184,775	
Short sales	21,500	
‡Other sales	175,680	
Total sales	197,180	3.37
4. Total—		
Total purchases	989,895	
Short sales	152,630	
‡Other sales	820,220	
Total sales	972,850	17.30

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED AUGUST 11, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	14,700	
‡Other sales	1,331,285	
Total sales	1,345,985	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	118,765	
Short sales	4,085	
‡Other sales	128,155	
Total sales	132,240	9.32
2. Other transactions initiated on the floor—		
Total purchases	20,650	
Short sales	1,500	
‡Other sales	19,570	
Total sales	21,070	1.55
3. Other transactions initiated off the floor—		
Total purchases	37,765	
Short sales	600	
‡Other sales	54,145	
Total sales	54,745	3.44
4. Total—		
Total purchases	177,180	
Short sales	6,185	
‡Other sales	201,870	
Total sales	208,055	14.31
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
‡Customers' other sales	54,317	
Total purchases	54,317	
Total sales	46,993	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Prices Unchanged in Week Ended Aug. 25, Labor Department Reports

Primary market prices were generally stable, except for agricultural commodities, during the week ended Aug. 25, said the U. S. Department of Labor on Aug. 30. It reports that a slight decrease in average prices for farm products counterbalanced an increase for foods, leaving the Bureau of Labor Statistics' index of commodity prices unchanged from the preceding week at 105.5% of the 1926 average." Since the end of July the index has declined 0.3% to a level 1.9% higher than in last August, 1944, according to the Department which also reported:

"Farm Products and Foods—Lower quotations for grains and livestock, which more than offset higher prices for fresh fruits and vegetables, reduced the group index for farm products 0.2% during the week. Rye quotations were off 4.6% with reduced demands for food and distilling. Barley, oats, and wheat were also lower, reflecting larger supplies. Corn advanced fractionally. Prices for cows, calves, and steers declined with the heavy run of grass fed animals to market. Sheep quotations were fractionally lower. There were sharp advances for lemons and oranges. Apples increased in New York, reflecting a ceiling adjustment, and in Portland, Oregon, but declined in Chicago. White potatoes and onions declined seasonally. There were price advances for eggs in Philadelphia and San Francisco and a decline in New York. Quotations for cotton dropped 1.3%, reflecting the abundant supply and the cancellation of some government contracts for textiles. The group index for farm products was 2.3% below the level of a month ago and 4.0% above the last week in Aug. 1944.

"Average prices for foods rose 0.3% because of the advance for fresh fruits and vegetables. Quotations for rye and wheat flour were lower, in keeping with weakness in grain markets. On the average foods were 0.7% below late July 1945 and 2.5% above last year.

"Other Commodities — There were no important price movements for other commodities during the week. Mercury quotations dropped 3.2% continuing the downward movement which has persisted during most of 1945. Ergot prices advanced 4.6% and there were slight increases for bituminous coal, sand and gravel, and lime. Boxboard declined fractionally. These changes did not affect the group index for all commodities other than farm products and foods, which remained at 100.1% of its 1926 average, 1.4% above the corresponding week of last year."

The Labor Department also included the following notation in its report:

Note: During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the past three weeks, for July 28, 1945 and Aug. 26, 1944 and (2) percentage changes in subgroup indexes from Aug. 18, 1945 to Aug. 25, 1945.

WHOLESALE PRICES FOR WEEK ENDED AUG. 25, 1945
(1926 = 100)

Commodity Groups—	8-25 1945	8-18 1945	8-11 1945	7-28 1945	8-26 1944	Percentage change to Aug. 25, 1945, from— 8-18 1945	7-28 1945	8-26 1944
All commodities	105.5	105.5	105.7	105.8	103.5	0	—0.3	+1.9
Farm products	126.7	127.0	128.3	129.7	121.8	—0.2	—2.3	+4.0
Foods	106.6	106.3	106.9	107.4	104.0	+0.3	—0.7	+2.5
Hides and leather products	118.5	118.5	118.5	118.5	116.6	0	0	+1.6
Textile products	99.1	99.1	99.1	99.1	97.6	0	0	+1.5
Fuel and lighting materials	85.3	85.3	85.2	84.8	83.7	0	+0.6	+1.9
Metals and metal products	104.8	104.8	104.8	104.8	103.8	0	0	+1.0
Building materials	118.2	118.2	117.3	117.3	116.0	0	+0.8	+1.9
Chemicals and allied products	95.3	95.3	95.2	95.2	95.5	0	+0.1	—0.2
Housefurnishing goods	106.2	106.2	106.2	106.2	106.0	0	0	+0.2
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.3	0	0	+1.4
Raw materials	116.9	116.9	117.7	118.5	112.5	0	—1.4	+3.9
Semimanufactured articles	95.4	95.4	95.3	95.2	93.9	0	+0.2	+1.6
Manufactured products	102.1	102.1	102.0	101.9	101.0	0	+0.2	+1.1
All commodities other than farm products	100.8	100.8	100.7	100.6	99.5	0	+0.2	+1.3
All commodities other than farm products and foods	100.1	100.1	99.9	99.8	98.7	0	+0.3	+1.4

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM AUG. 18, 1945, TO AUG. 25, 1945

Increases

Fruits and vegetables	1.9	Other farm products	0.3
Bituminous coal	0.1		

Decreases

Livestock and poultry	0.6	Cereal products	0.1
Grains	0.6	Paper and pulp	0.1

Civil Engineering Construction Volume $35,300,000 for Week

Civil engineering construction volume in continental United States totals $35,300,000 for the week. It compares with $22,990,000 reported for the holiday-shortened preceding week, is 41% below the total for the corresponding 1944 week, but is 3% above the previous four-week moving average as reported to **Engineering News-Record.** The report, made public on Aug. 30, added: Private construction for the week exceeds the 1944 week's volume by 163% and for the sixth time this year tops the week's public volume. Public construction is 69% under a year ago as a result of the 92% drop in federal work, inasmuch as state and municipal construction for the week is 105% greater than a year ago.

The current week's construction brings 1945 volume to $1,261,099,000 for the 35 weeks, a figure slightly under the $1,261,642,000 reported for the corresponding period in 1944. Private construction, $393,911,000, is 45% higher than in 1944, but public construction, $867,188,000, is down 12% due to 21% decrease in federal volume. State and municipal construction, $218,880,000, is 30% above last year.

Civil engineering construction volumes for the current week, the short preceding week, and the 1944 week are:

	Aug. 30, '45 (five days)	Aug. 23, '45 (four days)	Aug. 31, '44 (five days)
Total U. S. Construction	$35,300,000	$22,990,000	$60,282,000
Private Construction	19,084,000	5,034,000	7,267,000
Public Construction	16,216,000	17,956,000	53,015,000
State and Municipal	12,490,000	8,518,000	6,104,000
Federal	3,726,000	9,438,000	46,911,000

In the classified construction groups, gains over a week ago are in sewerage, bridges, industrial buildings, and streets and roads. Increases over the corresponding 1944 week are in waterworks, sewerage, bridges, industrial buildings, and streets and roads. Subtotals for the week in each class of construction are: waterworks, $937,000; sewerage, $546,000; bridges, $870,000; industrial buildings, $17,175,000; commercial building and private mass housing, $500,000; public buildings, $3,418,000; earthwork and drainage, $730,000; streets and roads, $6,090,000; and unclassified construction, $5,034,000.

New capital for construction purposes for the week totals $32,423,000. It is made up of $11,423,000 in state and municipal bond sales and $21,000,000 in corporate security issues. The week's financing brings 1945 volume to $1,601,763,000, a total 0.2% above the $1,598,152,000 recorded for the 35-week period in 1944.

Postwar Construction Planning Volume $22.4 Billions

Identified and recorded engineering projects proposed for construction in the postwar years total $22,423,112,000 according to reports to **Engineering News-Record** in the period from Jan. 1, 1943 through Aug. 23,1945. Plans are under way or completed on postwar projects valued at $10,188,433,000, 45% of the total volume proposed, and on $1,748,687,000 worth of projects all financing arrangements have been completed.

Govt. Seized Plants To Be Returned

President Truman has issued an executive order directing that all plants, mines and facilities seized by the Government be returned to their owners as soon as practicable, the "Journal of Commerce" reported from Washington, Aug. 2C, adding that this would cover the facilities of Montgomery Ward & Co., seized for defiance of War Labor Board orders, as well as a number of other plants and properties now run by governmental agencies. No time limit was set in the order for return of the seized properties, the "Journal of Commerce" continued, but the White House announced that William H. Davis, Director of Economic Stabilization had reported that action already had been started for their return to private owners it was added.

Heads of Government agencies operating the plants were directed by the President to determine how soon they can be returned with the approval of Mr. Davis.

The latter in a statement accompanying the President's order said that the seized properties would be returned to their owners gradually, although speedily. He added that no attempt would be made to relinquish Government control of all plants the same day.

Mail to Czechoslovakia

Announcement was made by Postmaster Albert Goldman on Aug. 30 that information has been received from the Post Office Department at Washington, that letters not exceeding 2 ounces and post cards are acceptable for dispatch by air or by surface means to destinations in Czechoslovakia. It is stated:

The postage rates for letters and post cards to be sent by surface transportation is 5 cents for the first ounce and 3 cents for the next ounce for letters, and 3 cents each for post cards.

Articles intended for dispatch by air are subject to the postage rate of 30 cents per half-ounce or fraction.

Registration, special-delivery, money-order, and parcel-post services are not available.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Aug. 29 a summary for the week ended Aug. 18 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Aug. 18, 1945

	Total For Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	14,213
Number of shares	419,917
Dollar value	$16,263,868
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	147
*Customers' other sales	14,290
Customers' total sales	14,437
Number of Shares:	
Customers' short sales	4,882
*Customers' other sales	370,125
Customers' total sales	375,007
Dollar value	$14,333,239
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	0
†Other sales	94,680
Total sales	94,680
Round-Lot Purchases by Dealers—	
Number of shares	115,680

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Revenue Freight Car Loadings for the Week Ended Aug. 25, 1945 Increased 200,594 Cars

Loading of revenue freight for the week ended Aug. 25, 1945, totaled 853,426 cars, the Association of American Railroads announced Aug. 30. This was a decrease below the corresponding week of 1944 of 51,445 cars, or 5.7%, and a decrease below the same week in 1943 of 50,631 cars or 5.6%.

Loading of revenue freight for the week of Aug. 25 increased 200,594 cars, or 30.7% above the preceding week which included V-J Day holidays.

Miscellaneous freight loading totaled 354,307 cars, an increase of 61,945 cars above the preceding week, but a decrease of 49,462 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 106,029 cars, an increase of 15,523 cars above the preceding week but a decrease of 3,644 cars below the corresponding week in 1944.

Coal loading amounted to 180,264 cars, an increase of 90,261 cars above the preceding week, and an increase of 1,850 cars above the corresponding week in 1944.

Grain and grain products loading totaled 66,768 cars, an increase of 12,871 cars above the preceding week and an increase of 17,441 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Aug. 25 totaled 47,226 cars, an increase of 9,263 cars above the preceding week and an increase of 12,394 cars above the corresponding week in 1944.

Livestock loading amounted to 16,457 cars, an increase of 2,273 cars above the preceding week and an increase of 538 cars above the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Aug. 25 totaled 12,377 cars, an increase of 1,694 cars above the preceding week, and an increase of 233 cars above the corresponding week in 1944.

Forest products loading totaled 42,625 cars, an increase of 5,209 cars above the preceding week but a decrease of 9,766 cars below the corresponding week in 1944.

Ore loading amounted to 75,251 cars, an increase of 12,334 cars above the preceding week, but a decrease of 6,311 cars below the corresponding week in 1944.

Coke loading amounted to 11,725 cars, an increase of 178 cars above the preceding week, but a decrease of 2,091 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944, and all reported decreases compared with 1943 except the Centralwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
4 Weeks of July	3,378,266	3,459,830	3,455,328
Week of August 4	863,910	889,594	872,133
Week of August 11	870,007	895,181	887,164
Week of August 18	652,832	886,623	891,340
Week of August 25	853,426	904,871	904,057
Total	27,880,386	28,321,300	27,341,399

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Aug. 25, 1945. During the period 55 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED AUG. 25

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
Eastern District—	1945	1944	1943	1945	1944
Ann Arbor	421	259	245	1,332	1,385
Bangor & Aroostook	1,326	1,304	844	521	614
Boston & Maine	7,021	6,941	6,729	11,809	14,203
Chicago, Indianapolis & Louisville	1,212	1,385	1,354	1,731	2,045
Central Indiana	34	28	41	47	44
Central Vermont	1,119	1,142	1,096	2,080	2,183
Delaware & Hudson	4,784	5,048	6,492	9,353	12,451
Delaware, Lackawanna & Western	7,719	8,153	7,843	8,238	10,238
Detroit & Mackinac	303	224	209	133	166
Detroit, Toledo & Ironton	1,790	1,944	2,036	1,080	1,369
Detroit & Toledo Shore Line	375	325	327	1,989	2,660
Erie	11,787	13,637	13,673	13,074	17,804
Grand Trunk Western	3,530	3,831	3,933	6,101	8,116
Lehigh & Hudson River	204	197	197	2,012	2,473
Lehigh & New England	2,209	2,308	2,159	1,145	2,057
Lehigh Valley	9,056	8,757	9,006	9,089	14,707
Maine Central	2,500	2,513	2,429	3,125	2,948
Monongahela	6,121	5,973	6,275	259	454
Montour	2,903	2,562	2,381	16	33
New York Central Lines	49,187	53,292	56,395	44,325	54,595
N. Y., N. H. & Hartford	9,519	9,525	10,388	13,349	17,671
New York, Ontario & Western	821	1,138	1,448	2,980	2,947
New York, Chicago & St. Louis	6,229	6,638	6,956	11,426	15,346
N. Y., Susquehanna & Western	367	425	685	1,266	2,388
Pittsburgh & Lake Erie	6,543	7,770	7,567	7,576	9,650
Pere Marquette	5,413	5,286	5,230	6,688	7,524
Pittsburgh & Shawmut	708	928	998	17	22
Pittsburg, Shawmut & North	193	299	413	168	227
Pittsburgh & West Virginia	1,391	1,333	1,139	1,987	2,658
Rutland	399	339	345	967	1,051
Wabash	6,037	5,659	5,834	9,693	11,723
Wheeling & Lake Erie	5,704	5,614	6,045	3,680	4,440
Total	156,925	164,777	170,712	177,256	226,192
Allegheny District—					
Akron, Canton & Youngstown	607	718	730	993	1,259
Baltimore & Ohio	46,016	47,290	44,705	21,550	29,241
Bessemer & Lake Erie	4,164	5,649	6,783	1,164	1,963
Buffalo Creek & Gauley	‡	‡	318	‡	‡
Cambria & Indiana	1,641	1,198	1,851	14	5
Central R. R. of New Jersey	6,077	7,053	7,379	14,526	21,177
Cornwall	469	561	666	31	56
Cumberland & Pennsylvania	184	235	234	11	11
Ligonier Valley	103	160	126	48	46
Long Island	2,700	2,230	2,073	3,107	4,515
Penn-Reading Seashore Lines	1,764	1,868	2,078	1,838	3,081
Pennsylvania System	81,686	91,071	88,288	53,554	66,189
Reading Co.	13,865	15,268	16,225	21,149	29,158
Union (Pittsburgh)	11,222	18,765	21,312	4,354	6,884
Western Maryland	4,270	4,810	4,361	9,718	12,553
Total	174,768	196,876	197,129	132,057	176,138
Pocahontas District—					
Chesapeake & Ohio	31,449	31,599	30,104	12,910	14,207
Norfolk & Western	21,154	22,293	22,652	6,447	7,993
Virginian	4,697	4,514	4,957	1,599	2,415
Total	57,300	58,406	57,713	20,956	24,615
Southern District—					
Alabama, Tennessee & Northern	376	433	306	265	334
Atl. & W. P.—W. R. R. of Ala.	863	825	659	1,993	2,571
Atlanta, Birmingham & Coast	684	917	717	780	1,234
Atlantic Coast Line	9,965	10,739	11,710	7,420	9,886
Central of Georgia	3,670	3,777	3,785	3,851	5,483
Charleston & Western Carolina	459	409	398	1,541	1,616
Clinchfield	1,791	1,756	1,682	2,362	2,952
Columbus & Greenville	240	199	350	215	308
Durham & Southern	86	110	104	720	848
Florida East Coast	817	783	1,282	1,209	1,357
Gainesville Midland	51	59	50	100	99
Georgia	1,310	1,393	1,315	2,378	2,482
Georgia & Florida	122	815	543	24	708
Gulf, Mobile & Ohio	4,824	4,193	4,256	4,083	4,357
Illinois Central System	27,218	28,718	29,152	14,120	17,683
Louisville & Nashville	26,526	26,096	25,447	9,737	12,292
Macon, Dublin & Savannah	217	202	186	610	643
Mississippi Central	303	338	280	495	628
Nashville, Chattanooga & St. L.	3,289	3,023	3,289	3,538	4,557
Norfolk Southern	1,090	956	975	1,446	2,211
Piedmont Northern	403	389	360	877	1,145
Richmond, Fred. & Potomac	531	450	443	6,168	9,780
Seaboard Air Line	8,637	9,329	10,166	6,340	8,688
Southern System	24,142	24,977	22,914	20,323	24,853
Tennessee Central	597	699	597	920	816
Winston-Salem Southbound	143	133	144	840	1,296
Total	118,354	121,718	121,010	92,355	118,827
Northwestern District—					
Chicago & North Western	21,021	20,846	21,512	12,281	13,862
Chicago Great Western	2,388	2,745	2,845	2,901	3,443
Chicago, Milw., St. P. & Pac.	22,650	23,040	22,070	9,151	11,333
Chicago, St. Paul, Minn. & Omaha	4,141	3,605	4,269	4,503	4,277
Duluth, Missabe & Iron Range	29,200	28,887	31,116	545	365
Duluth, South Shore & Atlantic	1,195	1,307	1,587	418	520
Elgin, Joliet & Eastern	6,903	9,331	8,532	6,914	9,620
Ft. Dodge, Des Moines & South	473	380	479	63	78
Great Northern	24,578	27,390	26,376	7,582	6,905
Green Bay & Western	438	464	459	759	932
Lake Superior & Ishpeming	2,138	2,521	2,968	78	78
Minneapolis & St. Louis	2,597	2,261	2,188	1,952	2,537
Minn., St. Paul & S. S. M.	8,000	7,701	8,306	2,970	3,282
Northern Pacific	11,967	13,187	12,595	5,238	6,161
Spokane International	209	150	261	548	621
Spokane, Portland & Seattle	2,656	3,194	2,816	2,949	3,329
Total	140,554	147,009	148,379	58,852	67,343
Central Western District—					
Atch., Top. & Santa Fe System	26,031	26,145	22,718	10,768	14,206
Alton	3,603	3,552	3,722	3,134	4,403
Bingham & Garfield	492	638	536	60	76
Chicago, Burlington & Quincy	21,218	20,119	20,401	10,014	13,042
Chicago & Illinois Midland	3,143	2,871	2,854	686	825
Chicago, Rock Island & Pacific	13,592	13,377	12,503	11,114	13,090
Chicago & Eastern Illinois	3,117	2,796	2,851	4,654	5,750
Colorado & Southern	832	885	1,017	1,918	2,826
Denver & Rio Grande Western	3,777	5,032	5,619	5,963	6,708
Denver & Salt Lake	603	838	833	77	38
Fort Worth & Denver City	984	868	1,212	1,644	2,345
Illinois Terminal	2,065	2,422	2,003	2,015	2,014
Missouri-Illinois	1,513	1,304	1,083	637	757
Nevada Northern	1,473	1,531	2,134	84	105
North Western Pacific	1,112	1,280	1,160	978	982
Peoria & Pekin Union	7	4	20	0	0
Southern Pacific (Pacific)	33,618	34,247	32,722	12,955	14,466
Toledo, Peoria & Western	425	208	327	1,588	1,984
Union Pacific System	18,351	19,713	16,757	16,660	18,958
Utah	679	485	576	6	5
Western Pacific	2,127	2,326	2,338	4,554	5,322
Total	138,762	140,641	133,386	89,509	107,902
Southwestern District—					
Burlington-Rock Island	289	1,078	282	477	439
Gulf Coast Lines	3,751	5,690	5,760	2,018	2,695
International-Great Northern	2,574	2,661	2,872	2,953	3,550
Kansas, Oklahoma & Gulf	†	†	326	†	†
Kansas City Southern	4,024	5,489	6,144	2,726	3,450
Louisiana & Arkansas	2,703	4,203	3,139	2,235	2,903
Litchfield & Madison	304	264	344	1,135	1,342
Midland Valley	1,551	1,145	725	1,682	1,544
Missouri & Arkansas	127	189	151	309	384
Missouri-Kansas-Texas Lines	6,403	6,072	5,811	3,534	5,101
Missouri Pacific	18,141	17,837	18,508	16,237	20,093
Quanah Acme & Pacific	118	84	130	119	406
St. Louis-San Francisco	10,362	9,982	9,227	7,947	8,481
St. Louis-Southwestern	2,895	3,254	2,737	5,217	6,528
Texas & New Orleans	8,672	11,678	13,583	5,305	5,817
Texas & Pacific	4,723	5,685	5,891	6,259	7,402
Wichita Falls & Southern	91	79	83	45	57
Weatherford M. W. & N. W.	35	54	15	36	46
Total	66,763	75,444	75,728	58,239	70,238

†Included in Midland Valley Ry. ‡Included in Baltimore & Ohio RR.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
May 5	223,162	161,764	605,892	97	95
May 12	152,208	153,111	602,717	94	95
May 19	126,285	158,532	565,867	97	95
May 26	129,327	157,794	532,257	97	95
June 2	168,204	153,359	546,211	93	95
June 9	189,674	159,228	575,167	97	95
June 16	129,618	159,230	537,182	96	95
June 23	115,768	157,932	491,287	96	95
June 30	166,083	156,447	499,505	96	95
July 7	180,155	99,960	575,918	62	94
July 14	151,085	145,797	575,134	90	94
July 21	121,864	156,619	537,639	96	94
July 28	127,772	156,519	507,758	95	94
Aug. 4	223,467	153,694	577,024	94	94
Aug. 11	157,653	153,368	582,785	94	94
Aug. 18	82,362	109,034	532,186	67	93
Aug. 25	131,952	161,763	488,289	99	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Business-Labor Heads Agree on Conference

Following his earlier announcement of plans in prospect for gearing the Government's labor machinery to peace, Secretary of Labor Lewis B. Schwellenbach told the press on August 24, the Associated Press reported from Washington, that business and labor union leaders had agreed at a discussion with President Truman to participate in a labor-management conference designed to chart a peaceful course for industry during the reconversion period. Mr. Schwellenbach said that the date and place of such a conference would be decided at a meeting at his office, September 5, and that under the President's direction the Secretary of Commerce, Henry A. Wallace, and other government officials would cooperate in the preparations.

The labor-management conference's major objective would be, the Associated Press report continued, to substitute some agreement to take the place of the no-strike, no-lockout pledges and to devise some labor disputes machinery to substitute for the expiring War Labor Board. Under the Government's new peacetime policy collective bargaining is to be relied upon mainly to settle differences which the WLB has been handling during the war. The Associated Press added:

It was at a labor-management conference in December, 1941, that President Roosevelt exacted from labor and management the no-strike, no-lockout pledge, leading to creation of the War Labor Board.

That was the last time that the nation's most influential labor leaders were present at a single meeting. Since then Mr. Murray and AFL President William Green have met, and Mr. Green has conferred with John L. Lewis, head of the United Mine Workers—but the three have not sat down together since the war began.

Mr. Lewis has indicated he would attend the labor-management conference if invited, and Mr. Schwellenbach said he would talk to Mr. Lewis and heads of the railroad brotherhoods as well as industrial groups, before the preliminary meeting next week.

The preliminary August 24 meeting at the White House, at which the principle of a conference was indorsed, was attended by Mr. Schwellenbach, Reconversion Director John W. Snyder, Green, Murray, President Eric Johnston of the United States Chamber of Commerce and President Ira Mosher of the National Association of Manufacturers.

Lumber Movement—Week Ended Aug. 25, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 453 mills reporting to the National Lumber Trade Barometer were 1.9% below production for the week of Aug. 25, 1945. In the same week new orders of those mills were 1.2% less than production. Unfilled order files of the reporting mills amounted to 90% of stocks. For reporting softwood mills, unfilled orders are equivalent to 30 days' production at the current rate, and gross stocks are equivalent to 32 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 3.9%; orders by 7.4%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 7.8% less; shipments were 5.1% less; orders were 2.6% less.

Items About Banks, Trust Companies

The Board of Directors of Manufacturers Trust Company of New York has declared the regular quarterly dividend on the bank's capital stock in the amount of 60 cents per share, payable on Oct. 1, 1945, to stockholders of record on Sept. 10. This represents the increased annual dividend rate of $2.40 per share on the 2,062,500 shares of capital stock outstanding as contemplated by the plan of readjustment of capital recently completed by the Company.

At the regular meeting of the Board of Directors of The National City Bank of New York on Aug. 29, Robert L. McCullough was appointed an Assistant Vice-President. He has been with Morgan Stanley & Co. and began his affiliation with the National City on Sept. 4th as a member of the Bond Department, specializing in the handling of corporate finance.

Russell F. Thomes was appointed Treasurer of the Central Hanover Bank and Trust Co. of New York at a meeting of the board of trustees on Aug. 28. He succeeds Charles E. Sigler, who has retired under the bank's retirement and insurance plan. Mr. Thomes joined the bank in 1916 and became Secretary in 1936, a position he still retains. He is a past president of the National Association of Bank Auditors and Controllers.

At the meeting of the Board of Trustees of The New York Trust Co. on Sept. 4, a quarterly dividend of $1.00 per share on the capital stock of the company was declared payable Oct. 1, to stockholders of record at the close of business Sept. 14. The institution increased its quarterly dividend from 87½ cents to $1 on July 2, the present being the second declaration at the increased rate.

The stockholders of the Second National Bank of Boston have approved the program whereby $2,000,000 of new capital funds will be subscribed by stockholders. On Sept. 1, the "Boston News Bureau" reported that:

At a special meeting, the stockholders approved the transfer of $1,200,000 from surplus to capital, increasing capital to $3,200,000 and decreasing surplus to $4,800,000, this to be accomplished by increasing the par value of present 80,000 shares from $25 to $40; and approved issue of 20,000 new shares of $40 par at $100 per share on the basis of one new share for every four shares now held. Of the $2,000,000 new money raised $800,000 will be added to capital making it $4,000,000 and $1,200,000 will be added to surplus making it $6,000,000.

President T. P. Beal states that it is expected that the same dividend will be maintained on the new stock as previously paid on the old. The stock has been paying $4 per year.

The consolidation of the Harrison National Bank, of Harrison, N. J., with The First National Bank of Jersey City became effective on Sept. 4 it was announced by Kelley Graham, President of the latter institution. The Harrison National will be known as the Harrison Office of The First National Bank of Jersey City. The consolidation creates one of the largest banks in Hudson County and extends the facilities of The First National to the industrialized area in the western part of Hudson County. Horatio W. Manning, who had been Vice President of the Harrison National Bank, remains as Vice President of the consolidated institution in charge of the Harrison Office. Established in 1864, The First National Bank of Jersey City is one of the oldest banks in Hudson County. With the opening of the Harrison Office the bank will have five offices in addition to its main office at 1 Exchange Place, Jersey City.

Shepard H. Patterson has been appointed manager of the credit department of the Peoples Pittsburgh Trust Co., according to announcement on Aug 30 by J. O. Miller, Acting President. We quote from the Pittsburgh "Post Gazette" which reports that prior to coming to the local bank, Mr. Patterson was associated with the National City Bank of New York.

A special meeting of stockholders of the Calvert Bank of Baltimore, Md. will be held Oct. 16 to act upon a proposed increase in the amount of authorized capital stock and to declare a 50% stock dividend, the bank announced on Aug. 28, according to J. S. Armstrong, Financial Editor of the Baltimore "Sun," who said:

At present the bank has common stock of $400,000, surplus of $800,000 and undivided profits of $368,000.

It is felt that the following arrangement would make a better structure of the capital assets of the bank: Common stock, $600,000; surplus, $800,000, and undivided profits, $168,000.

Since the start of its business in 1901 with a capital of $100,000 and surplus of $20,000, the Calvert Bank has been able to pay a substantial cash dividend each year since 1940 and also to distribute to its stockholders two 100% stock dividends, one in 1923 and the other in 1943.

The Calvert Bank reported on June 30 deposits of $33,152,473 and total resources of $34,810,289.

The Wheeling Dollar Savings & Trust Co. of Wheeling, W. Va., announces the election of S. W. Harper as Chairman of the Board and H. E. Laupp as President effective Aug. 9.

The State Bank of Slater, Slater, Mo., became a member of the Federal Reserve System on Aug. 24, according to advices from the Federal Reserve Bank of St. Louis, which said:

The new member was organized Jan. 14, 1895. It has a total capital account of $102,000 and total resources of $2,000,000. Its officers are: Chas Bolte, President and Chairman of the Board; J. W. Jaques, Vice-President; H. Kleine, Jr., Cashier; T. R. Haynie, Jr., Assistant Cashier; and Frances B. Strauss, Assistant Cashier.

The addition of the State Bank of Slater brings the total membership of the Federal Reserve Bank of St. Louis to 489. These member banks hold over 70% of the net deposits of all banking institutions in the Eighth District.

David S. Coleman, cashier of the First National Bank in Plano, Texas, since 1926, died on Aug. 29. The Dallas "Times Herald" reports that:

Mr. Coleman, a native of Kentucky, had resided in Plano since he entered the banking business there. Before that time he resided in Arkansas and Oklahoma.

Truman Names Braden to Succeed Rockefeller in State Department Post

President Truman on Aug. 25 accepted the resignation of Nelson A. Rockefeller as Assistant Secretary in the State Department and appointed Spruille Braden as his successor. Mr. Braden, who has been Ambassador to Argentina, becomes in his new post the new Chief of U. S.-Latin-American Relations, in which capacity Mr. Rockefeller had served.

The resignation of Archibald MacLeish and Gen. Julius C. Holmes as Assistant Secretaries was referred to in our Aug. 30 issue, page 967.

A. B. A. to Omit Annual Convention This Year— Officers Elected Under Emergency Provisions

Even though restrictions on travel and meetings have been relaxed with the end of hostilities, it will not be practicable for the American Bankers Association to hold its annual convention this year, according to Dr. Harold Stonier, Executive Manager of the Association, in an announcement Aug. 31. Plans effected several weeks ago will remain in force and the election of a President and Vice-President of the Association will be carried out on behalf of the membership by the A. B. A. Executive Council under the emergency provisions of the Association's constitution. These emergency powers provide for the election of such officers by the Council in the absence of a convention not held by reason of a war or other emergency. The new President and Vice-President will be elected by the Council vested with the powers of the convention.

While pointing out that immediately following the official announcement of the Japanese surrender, bans on rail transportation and restrictions on meetings requiring the attendance of more than 50 out-of-town persons were relaxed by the Government, the Association says, however, that little actual improvement in hotel facilities available is foreseeable in the immediate future, especially in the large centers of population which during the war period were designated as critical areas, and plans for carrying out the functions of the annual A. B. A. convention by emergency measures in many instances have been completed. The advices from the Association further state the A.B.A. Nominating Committee has already been elected by members in several States and election of members of the Executive Council by mail ballot and of officers of the four Divisions of the Association and of its State Association Section have been in progress. Under the procedure adopted by the Administrative Committee to meet the war emergency existing until the surrender of Japan, the Nominating Committee will nominate candidates for the offices of President and Vice-President and submit the nominations to the executive manager. The nominations will then be placed on a ballot and sent to the members of the Executive Council, who will vote them and return them to the Secretary of the Association. They will then be counted by the Secretary, the Assistant to the Executive Manager, and the Comptroller as inspectors of the election, and the results will be ratified by the Administrative Committee at its meetings in New York on Sept. 27-28.

Under the provisions of the constitution the Treasurer is always elected by the Executive Council, which this year will also be by mail ballot. The emergency provisions of the constitution were adopted at the Association's convention in New York in 1943 as a result of the cancellation of the convention which had been planned for Detroit in 1942 but which was canceled at the request of the Government because of the transportation situation. Previous to that time members of the Association met regularly every year to transact business and elect officers. Amendments to the constitution adopted in 1943 provide for the election of officers by the Executive Council, in the absence of a general convention omitted by reason of a state of war or emergency, at a special meeting of the Council vested with the powers of a convention. The amendments also provide for the election of officers of the four Divisions of the A. B. A. and of its State Association Section by members of the executive committees of those divisions and by the Board of Control of the State Association Section. In addition the amendments authorize these division and section elections by a mail ballot.

Under normal procedure A. B. A. members in each of the states elect a member and an alternate member of the Nominating Committee, members of the Executive Council, and a "State Vice President" of each of the four A. B. A. Divisions at a meeting of Association members held during the conventions of the state bankers associations. Since state bankers association conventions could not be held this year except in the cases of a few small states, the A.B.A. Administrative Committee adopted an arrangement last spring whereby these elections to the Nominating Committee, the Executive Council, and the Divisions could be accomplished. These are as follows:

1. Where a State Association is holding a meeting of its governing group, such as its Executive Council, Executive Committee or Administrative Committee, the A. B. A. Vice President in that state shall call a meeting of the members of the A. B. A. attending the State meeting, to be held at the same time for electing members to the A. B. A. Executive Council and to its Nominating Committee, and also to elect a State Vice President for each of the A. B. A. divisions. It is suggested that, in order to curtail the number of persons required to attend the meeting, an A. B. A. Executive Council member be elected a member of the A. B. A. Nominating Committee.

2. If no meeting of the Executive Council or administrative committee of the State Bankers Association is held, but the State Bankers Association elects its officers by mail ballot, the Executive Councilmen, State Vice Presidents of Divisions and member of the Nominating Committee of the A. B. A. and alternate shall likewise be elected by mail ballot.

3. In all other cases the incumbent Executive Councilmen whose terms would expire with the 1945 convention shall continue in office until Dec. 31, 1945, and their successors shall be appointed by the A. B. A. State Vice President. The incumbent member of the Nominating Committee or alternate member shall act at the next meeting of the Executive Council held in lieu of a convention, and the Vice Presidents of the Divisions shall be appointed by the Presidents of the Divisions. This conforms to the procedure prescribed in the constitution for filling vacancies occurring under ordinary conditions.

A. B. A. members in most of the states have already acted under either No. 1 or No. 2 of the above procedures, the majority acting under No. 1. Thus a Nominating Committee is already in being and new members for the Executive Council have been chosen.

President Entertains Chiefs of Staff

The combined chiefs of staff, the staff set up by the American and British armed services for the joint war effort in all theaters, were invited by President Truman to dinner at the White House on Aug. 17, according to Associated Press advices from Washington on that date. Those invited were representatives of the United Kingdom, France, China, Australia New Zealand, Canada and the Netherlands, in addition to Secretary of State Byrnes, Secretary of War Stimson and Secretary Forrestal of the Navy. Press Secretary Charles G. Ross said that the President was taking this opportunity somewhat in the nature of a farewell, since some officers who served with the chiefs of staff soon will be leaving for home.

Restrictions Eased For Post-War Building

Further relaxation of controls which might interfere with the hoped for acceleration in the post-war construction program was initiated by the appointment by the War Production Board of a construction "czar," Joseph W. Keenan, the Board's Vice-Chairman for Labor Production, who will speed up construction activities necessary for reconversion and will represent WPB on the recently established inter-agency committee for construction.

Mr. Keenan's major immediate assignment, said the "Journal of Commerce" in reporting the appointment from its Washington bureau, Aug. 21, will be to assist in stepping up production of scarce construction materials.

The Board's relaxation of controls, affecting facilities to be used in the processing and assembling of goods and materials, the "Journal of Commerce" continued, is one of a series begun several weeks ago, expected to culminate by the first of October in the complete revocation of L-41, the construction order.

The "Journal of Commerce" report continues:

The order issued by WPB—Direction 7 to L-41—lists three types of construction which will now be permitted without WPB authorization.

Construction of factories, plants and other units used primarily for manufacturing, processing or assembling of goods or materials; work on units not primarily used for industrial work if the construction is to prepare a part of the unit for such work; and construction of facilities owned by a manufacturer that are necessary for handling raw materials or components, or for the distribution of his products to the retailer.

Citing pre-war figures as an indication of possible volume of industrial construction in the reconversion period, WPB said that the annual average volume of "put-in-place" industrial construction in the years 1920 through 1929 were $560,000,000, with a peak of $889,000,000 in 1920. Present estimates for "put-in-place" industrial construction in 1946 are slightly over $1,000,000,000, WPB said.

Chief among the types of work considered manufacturing, processing or assembly, are:

(1) Mining, smelting and refining, foundries and other operations related to extraction of minerals and their conversion to finished form.

(2) Logging and lumbering operations, sawmills, planing mills, and millwork manufacturers (but not retail lumber yards).

(3) Pilot plants and industrial research laboratories.

(4) Food processing plants, slaughter houses, commercial food freezing plants, commercial cold storage warehouses and food packing plants, bottling plants, grain elevators and canneries (but not butcher or grocery stores or frozen food locker plants serving individual customers).

(5) Textile mills, cotton mills and similar establishments (but not tailors' or dressmakers' establishments).

(6) Printing and publishing establishments, including those publishing newspapers or printing books, magazines or periodicals.

Retail service establishments serving individual customers are not covered by Direction 7, WPB pointed out.